Italian elections
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A courtship is consummated
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NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Wednesday April 8 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Serbs declare independent state within Bosnia

Serb leaders declared an independent Serbian republic within Bosnia-Hercegovina, the ethnically mixed Yugoslav republic, following the European Community's decision on Monday to recognise Bosnia's independence.

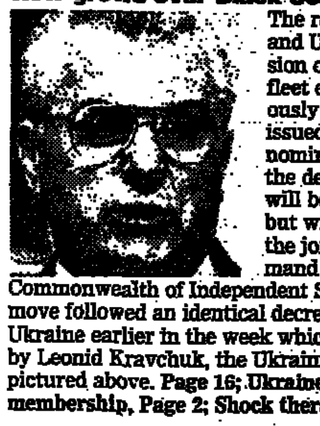
Serbs in the republic, the scene of further ethnic violence yesterday, fear becoming a minority in an independent Bosnia-Hercegovina, separated from Serbs elsewhere in the old federation. Page 3

Olympia & York, the debt-burdened property developer, is struggling to find a buyer for a 36-storey Toronto office building it needs to sell to fund overdue debt obligations. Page 17

Arms claim: The Bush administration has brought a civil complaint accusing Carlos Cardoen, the Chilean arms manufacturer, of money laundering and illegally exporting US material that went into cluster bombs sold to Iraq. Page 4

Nissan Motor, the Japanese car maker, is to invest £20m ($35m) to expand its vehicle design and development facilities in the UK. Page 10

Row grows over Black Sea fleet:



The row between Russia and Ukraine over possession of the Black Sea fleet escalated dangerously when Russia issued a decree claiming nominal control. Under the decree the fleet will be funded by Russia but will remain under the joint military command of the 11-nation Commonwealth of Independent States. The Russian move followed an identical decree issued by Ukraine earlier in the week which was signed by Leonid Kravchuk, the Ukrainian president, pictured above. Page 16; Ukraine agrees IMF membership, Page 2; Shock therapy, Page 2

Export probe: Japan's Ministry of International Trade and Industry has set up a working group to examine a US decision to apply anti-trust laws against foreign companies alleged to have unfairly blocked access for US exporters. Page 4

Iraqi climbdown: Iraq backed down and agreed to let the United Nations destroy nuclear arms production facilities at the al-Atheer complex, reducing the chances of Iraq rebuilding its nuclear programme undetected.

Ozone loss: The atmosphere over Europe lost 15 to 20 per cent of its protective ozone layer during the winter but does not have a full-scale "ozone hole", a scientific team said. Page 3

Banks blamed: Switzerland's Federal Banking Commission has castigated the 50 or so mostly regional Swiss banks involved in lending to Omni Holding, the financial empire of Werner Rey, which collapsed a year ago. Page 3

Civil rights move: The Venezuelan government announced it was restoring civil rights suspended after February's coup attempt as rock-throwing students clashed with police in an illegal demonstration. Fujimore to give military a free hand, Page 16; Spectre of bad old days, Page 16

Commerzbank, Germany's third biggest bank, said total operating profits for the first two months of the current year rose 75 per cent. Page 17

PM chosen: Thailand's army commander, General Suchinda Kraprayoon, who did not stand in last month's general election, was appointed prime minister as opposition parties and civil rights activists continued their campaign for an elected premier. Page 5

Philips, the Dutch electronics company, said it would cut one-third of the 1,800 jobs in its loss-making personal computer operation – the company's last remaining computer activity – and halt the direct sales of PCs in the US. Page 17

Libya protest: A Tripoli mob blocked a motorcade carrying a United Nations envoy sent to explain a UN resolution imposing sanctions against Libya over its refusal to yield two men suspected of the 1988 bombing of a US airliner. Page 5

Elsevier, the Dutch publisher, aims to derive 45 per cent of its turnover from trade publications in the professional, business and educational fields by 1996, so putting this sector ahead of its science publishing activities. Page 18

Exports boosted: The UK's pharmaceutical industry increased its trade surplus with the rest of the world in January by 66 per cent compared with the same month last year. Page 10

Charles Jourdan, one of France's best-known classic shoe makers, has fallen victim to the downturn in the luxury goods industry by being taken over by a Hong Kong retailing group. Page 18

The Markets

STOCK INDICES		
FT-SE 100:	2,404.2	(+3.3)
Yield	5.06	
FT-SE Eurotrack 100	1,156.82	(+1.23)
FT-A All Share	1,150.89	(+0.1%)
FT-A World Index	133.18	(-1.8%)
Nikkei	17,791.55	(−644.82)
New York:		
Dow Jones Ind Ave	3,213.55	(−61.94)
S&P Composite	398.06	(-7.53)
US CLOSING RATES		
Federal Funds	3⅞%	(3⅞%)
3-mo Treas Bills: Yld	3.842%	(4.043%)
Long Bond	101⅞	(101⅜)
Yield	7.873	(7.889%)
LONDON MONEY		
3-mo Interbank	10 13/16%	(11%)
Liffe long gilt future:	Jun 93⅝	(Jun 93 13/32)
NORTH SEA OIL (Argus)		
Brent 15-day	$18.875	(18.95)
Gold		
New York Comex	$338.7	(340.4)
London	$338.5	(339.5)

STERLING		
New York:		
$	1.752	(1.7475)
London:		
$	1.749	(1.7506)
DM	2.8425	(2.8375)
FFr	9.625	(9.61)
SFr	2.6075	(2.605)
Y	233.0	(232.25)
£ Index	90.1	(90.0)
DOLLAR		
New York:		
DM	1.6216	(1.6255)
FFr	5.4695	(5.506)
SFr	1.489	(1.4935)
Y	133.10	(133.175)
London:		
DM	1.625	(1.621)
FFr	5.5025	(5.49)
SFr	1.4915	(1.4885)
Y	133.25	(132.85)
$ Index	64.6	(64.3)
Tokyo close Y 133.35		

Austria	Sch30	Hungary	Ft152	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.00	Kuwait	Fils 500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es180		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Doubts about governability after election rebuff to ruling coalition

Italy tries to cope with a political earthquake

By Robert Graham in Rome

ITALIAN POLITICIANS turned their attention yesterday to the problems of forming a new government after Sunday's general election left the outgoing four-party coalition with only 47 per cent of the vote.

The election result was a sharp rebuff to Italy's long-running Christian Democrat authority and has created an unprecedented fragmentation of parliament. Senior ministers conceded this situation had opened up grave uncertainties about the country's governability.

"What people have called an earthquake is indeed true," said Mr Enzo Scotti, the Christian Democrat interior minister, commenting on the final results.

"Our country now faces institutional problems, delicate problems of governability linked to the decisions concerning institutional reform which will now have to be taken on board," he said.

"The road has only just begun and we will have to pay heed to the will of the people in finding solutions to problems which have been on the table for years."

Newspaper headlines yesterday proclaimed: "in search of an impossible government", "the wall of the Christian Democrats has fallen", "nomenclatura dismissed", and "four-party coalition buried without heirs".

These reflected the mix of drama and confusion in the face of a countrywide protest vote that saw support switch from the Christian Democrats and their main Socialist allies to a range of parties across the political spectrum.

Final results showed that 16 parties would be represented in the chamber of deputies. Of these, 12 held less than 6 per cent of the vote and only the Christian Democrats more than 20 per cent.

The populist Lombard League emerged as the main new force, capturing 9 per cent of the vote nationwide and becoming the second largest party in northern Italy. Mr Giulio Andreotti, the outgoing premier, is due to present his resignation later this week to be followed on April 23 by the first meeting of the new legislature. Between April 27 and April 30 the new parliamentary group is due to be formed. Only then will it be possible to talk seriously of forming a new government.

However, President Francesco Cossiga has pledged to begin informal soundings as soon as possible. He appears anxious to

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Umberto Bossi (above), leader of the northern based Lombard League, celebrates his party's election success

RESULTS OF ITALIAN LOWER HOUSE ELECTIONS

	% of votes	(1987)
GOVERNMENT TOTAL	48.8	(53.7)
Christian Democrats	29.7	(34.3)
Socialists	13.6	(14.3)
Liberals	2.8	(2.1)
Social-Democrats	2.7	(3.0)
OPPOSITION TOTAL	51.2	(46.3)
PDS (ex-Communists)	16.1	(26.6)
Reconstructed Communists	5.6	
League	8.7	(0.5)
MSI	5.4	(5.9)
Republicans	4.4	(3.7)
Greens	2.8	(2.5)
La Rete	1.9	(-)
Others	6.3	(7.1)

Turnout estimated at 86.4 per cent compared with 88.4 per cent in 1987

GM coup reduces power of chairman

By Martin Dickson in New York

NON-EXECUTIVE directors of General Motors, the struggling US car manufacturer, have staged a palace coup, reducing the power of the company's chairman and demoting his chief lieutenant in an effort to speed a return to profitability.

The move is a severe rebuke for Mr Robert Stempel, GM chairman for the past 20 months, who retains the title but has been replaced as chairman of the board's important executive committee, which oversees the running of the company between board meetings.

His place has been taken by Mr John Smale, a former chairman of consumer products group Procter & Gamble, who has been *on the GM board for a decade* and is believed to have played a central role in encouraging the board shake-up.

The board announced late on Monday that it had replaced Mr Lloyd Reuss, GM's 55-year-old president and Mr Stempel's long-time lieutenant, with Mr John ("Jack") Smith, head of GM's international operations. Mr Smith has also been appointed chief operating officer, a title the board declined to give Mr Reuss when it reluctantly appointed him president in 1990 on Mr Stempel's insistence.

Mr Reuss, who is responsible for GM's North American car business, has been widely criticised for the severity of its losses, which totalled some $4.5bn at the net level in 1991. Only two months ago Mr Stempel, responding to rumours that Mr Reuss might be ousted, insisted that "Lloyd's my man".

Mr Smith, 54, is a former chief *of GM's European operations* who won praise in the mid-1980s for helping turn that business from losses into Europe's most profitable large manufacturer.

Mr Stempel has been trying to similarly shake-up GM's bureaucratic and inefficient North American business and announced 70,000 job losses and 21 plant closures last December.

But the board's action shows it has grown frustrated at the pace of change. It said in a statement that: "regaining profitability requires a more aggressive man-

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Impatient GM board, Page 17

UK polls show Labour short of majority

By Ivo Dawnay, Philip Stephens and Peter Marsh in London

A HUNG parliament after tomorrow's UK general election appeared in prospect last night after new opinion polls showed that the opposition Labour party had still not achieved the breakthrough necessary to give it an outright majority of seats.

A Harris survey showed Labour with 40 per cent, the ruling Conservatives with 38 per cent and the Liberal Democrats with 18 per cent. Another poll, by Mori, showed Labour with a 3 point lead.

The new figures came as Mr Neil Kinnock, Labour's leader, led a final push for floating voters by warning that the National Health Service was in "mortal danger" and accusing the Conservatives of being "all washed up".

Mr John Major, Conservative prime minister, countered with a personal appeal to voters to judge him on his record and his ideals for the future. He said Labour's programme was a "massacre of the innocents by the ignorant".

A second survey of board-level British executives for the Financial Times has shown a growing concern about the effects of a Labour government.

Only 7 per cent of the 165 executives, taken from a sample of 235 interviewed by the Mori polling organisation at the start of the campaign, said Labour's economic package would be best for business. That compared with 89 per cent who preferred the budget announced in March by Mr Norman Lamont, Conservative chancellor of the exchequer.

The executives acknowledged that Labour's proposals to raise the top rate of income tax from 40 per cent to 50 per cent and to abolish the salary ceiling on which 9 per cent national insurance contributions are paid had made personal taxation a much more important factor in their decision on how to vote.

An overwhelming 72 per cent said management of the economy was the most important factor, but the proportion citing personal taxation as a key issue has jumped from 27 per cent to 45 per cent. Some 22 per cent said Labour's higher tax rates would mean they were likely to work less hard, but 48 per cent said they thought the Labour tax package would reduce incentives for their middle management.

Most discouraging for Labour are the findings that 96 per cent think that interest rates would have to rise if Labour wins. Some 83 per cent expect downward pressure on the pound and 38 per cent predict a fall in their companies' investment spending.

Yesterday, however, financial markets took a more sanguine view about the repercussions of a possible change in government.

Japanese and UK institutional investors switched money into sterling on calculations that a Labour administration or a hung parliament was unlikely to lead to large-scale selling of the pound.

As a result, sterling gained half a pfennig against the D-Mark, closing in London at DM2.8425. Government gilt-edged securities gained about half a point.

Over the past few days, markets have taken heart from repeated assertions from Labour that it would keep sterling within its existing band in the European exchange rate mechanism.

That has calmed investors, who last week worried that an incoming Labour administration would trigger a run on the pound.

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Japanese equities plunge to lowest level for 5½ years

By Stefan Wagstyl and Emiko Terazono in Tokyo

JAPANESE EQUITIES plunged yesterday to their lowest levels for 5¼ years, taking the Nikkei index of leading shares below the 18,000 mark.

The Nikkei fell 644.82 to 17,791.55, the lowest it has been since November 1986. Brokers and businessmen saw little prospect of a recovery, after last week's cut in the official discount rate and government spending package had failed to boost confidence.

"The stock market is now like a bottomless swamp," Mr Yoshinari Yamashiro, president of NKK, the steel company, told a press conference.

Any hope that last week's action by the authorities might restore market confidence has been crushed by the selling of bank shares. Yesterday the Nikkei index of bank stocks fell 6.9 per cent, compared with a 3.5 per cent decline in the overall index.

In the past 10 days, bank shares have fallen by 20 per cent, the single biggest element in a 12 per cent decline in the Nikkei. The market value of Industrial Bank of Japan, the country's premier bank, has fallen by 77 per cent from its peak of Y15,000bn at the height of the bull market in December 1989.

Nevertheless, brokers report few signs of panic. Turnover in the Tokyo Stock Exchange's first section totalled just 200m shares yesterday, far short of a sell-off.

Bank shares have fallen faster than most stocks in recent weeks because they were bidded up last year by investors, principally foreign fund managers, who saw the stocks as a way of profiting from an expected decline in interest rates. Banks tend to benefit from falling rates because their profit margins widen. Rates have indeed fallen but bank shares have been hit by growing doubts about banks' capital reserves and an increasing burden of property-related bad debt.

The decline in bank stocks should not in itself have much direct impact on banks' commercial operations. It will inhibit equity fund-raising but this has already been rendered almost impossible by the market's weakness.

However, by pushing down the value of the market as a whole, falling bank shares erode the worth of the banks' share portfolios. Since a portion of these portfolios is counted as capital under the rules of the Bank for International Settlements, the banks' capital base is being eaten away.

Under BIS rules which come into force next year, banks must have a minimum ratio of capital to assets of 8 per cent. Following the latest stock market fall, leading Japanese banks are now probably below this figure, though above 7 per cent. They can make good the difference by raising subordinated debt, as they have been doing for much of the past two years.

Meanwhile, the authorities showed no sign of planning to intervene to prop up the stock market. Ministry of Finance ministry officials have resisted demands from the securities industry for action, such as creating an emergency stock-buying fund, on the grounds that a free market should find its own level. But the lower prices fall, the stronger are demands for intervention.

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Delors signals more powers for Brussels

By David Buchan in Strasbourg

BRUSSELS will soon recommend a startling *increase in supranational* executive power for the EC as the necessary price for enlarging the Community, Mr Jacques Delors *signalled* yesterday.

The Commission report on enlargement, due for the Lisbon summit, "will come as a political, intellectual and institutional shock to the Twelve (existing members) who, in my opinion, have not sufficiently realised what a Community opening up to 35 states would be like", he told MEPs.

So far, only six countries have asked to join the EC. But, in what is perhaps an exaggeration to magnify the need for "big bang" institutional change, Mr Delors now evidently *assumes far more states* will soon knock at Brussels' door.

Hitherto, proponents of minimal *institutional* change, like Britain which takes over the EC presidency later this year, had been rather counting on Mr Delors to tone down the long-stated desire of Mr Frans Andriessen, the external affairs commissioner, for EC integration to be "deepened" as it is "widened".

But Mr Delors said yesterday: "We must see that widening is not at the expense of deepening." A very preliminary draft of the enlargement report dating back to last *November suggested removing* all member states' right to have at least one Commissioner, cutting the voting *threshold* needed to pass routine business through the Council of Ministers, and introducing "a genuine European executive . . . to implement external policy".

MEPs last night voted by 226 to 63, with 31 abstentions, in favour of the Maastricht treaty on political and monetary union, despite lengthy criticism of its "shortcomings".

Though the Maastricht pact only needs ratification by the 12 national parliaments, two of the latter – the Belgian and Italian legislatures – have said *they will heed Strasbourg's* views. But any enlargement of the EC requires the approval of MEPs, who last night put on *record their pre-condition* that the EC's "democratic deficit" must be remedied before new countries join it.

■ The European People's Party (EPP) of 122 Christian Democrat MEPs last night voted by a two-to-one majority to admit as full members the 32-strong band of UK Tory MEPs, plus two Danish conservatives.

This ends the isolation – especially marked during the Thatcher years – of Tory MEPs who will now be part of one of Strasbourg's two big battalions. The largest is the 180-strong Socialist group.

Ireland announces abortion referendum

By Tim Coone, Dublin

THE IRISH government last *night announced it intends to* hold a new referendum on abortion, aimed at guaranteeing the right to travel outside the country and to receive abortion information within Ireland.

The move follows the rejection hours earlier by most of Ireland's EC partners to amend a protocol to the Maastricht Treaty which would have attempted to achieve the same objective but which at the same time protects Ireland's constitutional ban on abortion. No date has been fixed for the referendum.

The issue is rapidly becoming a legal and political nightmare for the government.

Two months ago, the prime minister, Mr Albert Reynolds, said that such a referendum was unnecessary and would only be considered "as a last resort".

Mr Reynolds has come under increasing pressure from right-to-life campaigners within his Fianna Fail party, to hold an abortion referendum, following a Supreme Court ruling last month *allowing a 14-year-old* rape victim to travel to Britain to terminate her pregnancy.

A High Court injunction had earlier prevented her from doing so, on the basis of a 1983 constitutional amendment guaranteeing the right to life.

The Supreme Court ruling has effectively established the right to abortion in Ireland for women who face a threat to their lives, including the threat of suicide, but the judges also concluded that where such a threat to the life of the mother does not exist, then pregnant women seeking an abortion abroad can legally be prevented from doing so.

Mr Alan Shatter, the justice spokesman for the opposition Fine Gael party said yesterday that he welcomed the government decision.

Mr Dick Spring, the Labour Party leader, said that the referendum should be held before the Maastricht vote, scheduled for June.

Daimler-Benz to be ordered to pay extra for Berlin site

BRUSSELS will shortly call on Berlin to demand a substantial additional payment from Daimler-Benz for the prime-site property the company bought from the city two years ago, a senior official said yesterday, writes Leslie Colitt in Berlin.

An investigation was launched by the EC to determine whether Daimler-Benz and Sony had received illegal subsidies from the city to buy real estate for offices on Potsdamer Platz. The square was the heart of pre-war Berlin and was bisected by the Wall.

The Commission told the Bonn government that Daimler-Benz would be asked to pay nearly DM34m (£12m) in addition to the DM93m it originally paid. Berlin sharply criticised the decision as likely to deter investors but said it expected Daimler-Benz to pay.

Yeltsin to ease economic shock therapy

By John Lloyd in Moscow

MR Boris Yeltsin, the Russian President, yesterday appeared to have saved both his government and its economic reforms from early destruction, at the cost of further promises of assistance to the low paid, industries and agriculture.

Both Mr Yeltsin and Mr Yegor Gaidar, the first deputy prime minister who spoke briefly after the president, were received sceptically and largely in silence. Only when Mr Yeltsin sought to blame some of the difficulties on the previous Soviet governments of Mr Nikolai Ryzkov and Mr Valentin Pavlov did the muttering in the audience rise by several disapproving decibels, forcing him to stop to allow Mr Ruslan Khasbulatov, the speaker, to appeal for silence.

Mr Yeltsin *mentioned neither* the promised liberalisation of energy prices set for June, which he is believed to have doubts about, nor the assistance promised by the International Monetary Fund and the Group of Seven countries, which is unpopular with many of the deputies. He left both to the staccato speech of Mr Gaidar, who said the $24bn (£13.9bn) assistance promised last week was "comparable to the Marshall Plan for Europe after the war".

Mr Yeltsin blamed the government for underestimating the extent of the price rises and for the slow pace of privatisation. He said privatisation would now be hastened, since Russia must "create millions of owners of property and not hundreds of millionaires".

The president said the policy of the government required correction especially in the area of social welfare. Further credits would be given to industry and agriculture for investment and that further large grants would be made to military enterprises for their conversion programmes.

Mr Gaidar accepted that the government had been wrong about the effects of the price rises, but, like Mr Yeltsin, claimed the market economy was beginning to work, and that "unique pre-conditions for the economic recovery of Russia have been created".

"Russia has the chance to enter a period of economic growth . . . it would be a crime to turn away from this road." He said the government would now change the emphasis of reform, moving away from shock therapy towards "a broad programme of transforming the economy".

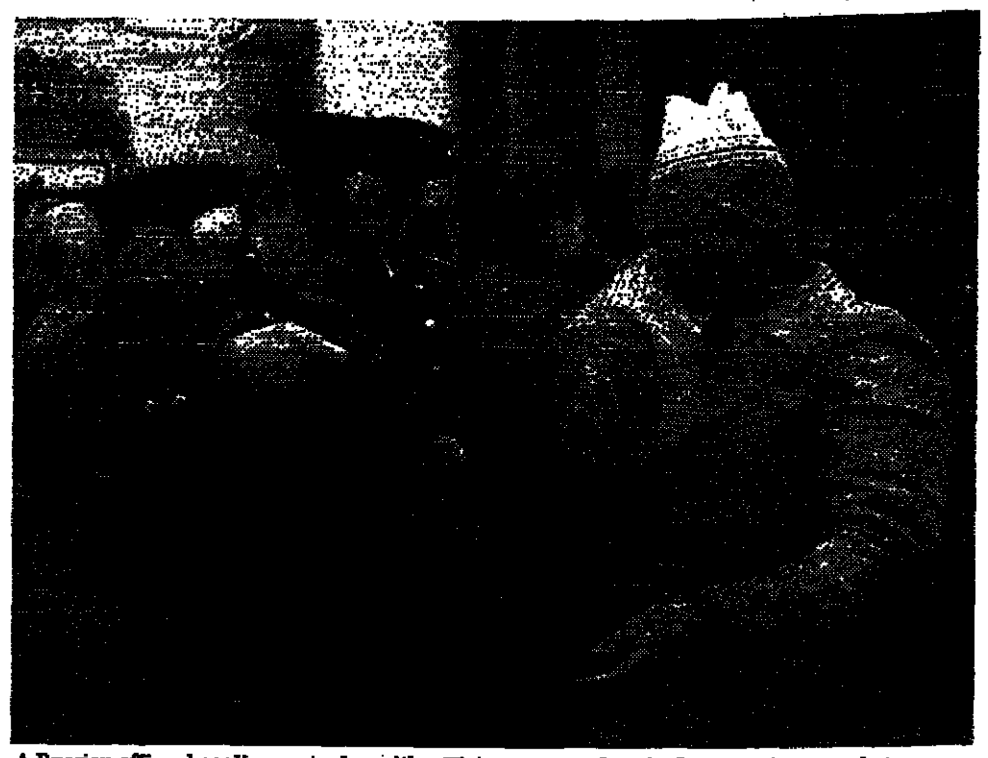
It now seems certain that the crisis in industry – where unpaid debts amount to Rbs800bn – will receive more attention, together with the promised *Rbs200bn in credits*.

Mr Vladimir Shumeiko, an ally of Mr Khasbulatov's and his deputy in charge of economic reform, *called* for the creation of a "powerful centre for the administration of industry" and for a revamped industrial ministry. *This would* represent the interests of state enterprises – which constitute 88 per cent of output – in the heart of government. *Mr Shumeiko* may himself take the post of industry minister in a further cabinet reshuffle.

He *said* Mr Yeltsin *had* already promised to amend the privatisation legislation to allow managers to take *between* 10-20 per cent of the stock of privatised companies.

■ Japan is likely to put up about $1bn (£570m) for a fund *to* help Russia stabilise the rouble and will come up with an overall policy on a western aid plan by the end of April, government officials said in Tokyo, agencies report.

Meanwhile, Mr Jacques Attali, president of the European Bank for Reconstruction and Development, said the Group of Seven's pledge of $24bn in aid to Russia is only half the amount really needed by the Commonwealth of Independent States. The total consists of a $6bn fund to stabilise the rouble and $18bn in balance of payments support. Mr Attali said the aid package is only funds "either already announced or in the air".



A Russian officer haggling yesterday with a Vietnamese vendor at a Moscow street market

Ukraine agrees IMF membership terms

By George Graham in Washington

UKRAINE has agreed on terms to join the International Monetary Fund and hopes to become a fully-fledged member of the Washington-based institution by the beginning of next month.

Mr Hryhory Pyatachenko, Ukraine's finance minister, said he had accepted the IMF quota of 0.69 per cent which had been proposed to him, though Ukrainian officials said they were disappointed that it was not higher.

This quota would give the former Soviet republic access to IMF financing of up to approximately $1bn a year. If the IMF can complete its $60bn quota increase – an operation which is currently held up by the US's refusal to authorise its $12bn share – this financial access would increase to approximately $1.5bn a year.

Russia, the largest of the former Soviet republics, agreed earlier this month on a quota of 3 per cent.

Mr Michel Camdessus, managing director of the IMF, complimented the Ukrainian government after his meeting with Mr Pyatachenko on its "commitment to a market economy and to the integration of Ukraine into the international economic community". He also welcomed Ukraine's decision to accept joint responsibility for the debt of the former Soviet Union, a move which he said "can only enhance Ukraine's standing in the eyes of the international financial community".

Mr Pyatachenko said that his country faced a hard task in addressing its economic imbalances and in converting away from an economy dominated by military industries. He warned that industrial production would fall by 10 to 12 per cent this year, and that inflation could reach 40 per cent, but said his government was taking drastic measures to cut its budget deficit from 14 per cent of gross national product in 1991 to 2 per cent this year.

Meanwhile, Mr James Baker, the US secretary of state, warned Ukraine that US aid could be cut if the republic does not honour its promise to send Soviet tactical nuclear weapons on its territory to Russia for dismantling.

"We will be assisting first and foremost those nations who demonstrate their commitment to freedom, to democracy and to free markets – and to nuclear safety and responsibility." Mr Baker said.

Computer to replace 60m VAT forms

A new computer system linking the EC's national tax administrations should be ready by November 2, to enable Community businesses to prepare for the single market regime for monitoring value added tax (VAT) on cross-border sales, writes Andrew Hill in Brussels.

European Commission officials said they had signed contracts with SOF-X Marben Group, a Franco-Belgian software company, which will work on the system with NCR and Interpac. They would not reveal the value of the contract, but the Commission will spend up to Ecu8.7m ($10.8m) this year on development and on initial running of the system.

From January 1, 1993, border VAT checks should disappear and the computer system will replace some 60m forms, currently used for monitoring VAT returns on cross-border trade. Under the transitional VAT regime, cross-border sales will still be zero-rated for VAT provided the customer and seller are registered, and the customer will pay VAT at local rates. Each quarter, traders will have to provide their registration number and those of their customers to their national tax authority, as well as the value of sales made to each intra-Community customer. The computer system will be used by member states to exchange information, and, from November, traders themselves will be able to confirm the VAT status of their customers via the computer.

UN warning on Cyprus peace force

THE UN peace-keeping force in Cyprus, in place since 1964 and deep in debt, may have to be withdrawn with unforeseeable consequences for the island and the immediate region, writes Michael Littlejohns in New York.

Mr Boutros Boutros Ghali, the UN secretary-general, issued the warning last night in a highly pessimistic report to the Security Council.

After talks last month with Cypriot leaders Mr Boutros Ghali said no progress towards a settlement was recorded and "in certain areas there has even been regression".

Moves in dispute at Bank of Italy

A *long-running* wages *and* conditions dispute involving the bulk of the 9,400 employees at the Bank of Italy has reached partial solution following agreement between the central bank and union representatives on a new package after three days' negotations, writes Haig Simonian in Milan.

However, the deal has been rejected by independent groups outside the mainstream trade unions, meaning that selective strikes in key departments are set to continue. Among opponents of the settlement is Fabi, the bank's biggest union.

Sweden reports rise in its export orders

By Sara Webb in Stockholm

THE Swedish economy has started to see the first signs of a recovery in export orders, according to a report by the National Institute of Economic Research yesterday.

For the first time since autumn 1989, more Swedish companies saw an increase in export orders than reported a decrease, according to the Institute's Business Tendency Survey for the first quarter of 1992. The pick-up in export orders came mainly from the US and newly industrialised countries, the Institute said.

While domestic demand remains weak, companies expect export orders to increase in the second quarter of 1992, particularly for forestry products and engineering goods.

The survey reports a further fall in industrial production, with 30 per cent of companies reporting cuts in volumes, particularly in the construction materials, engineering, and metal industry sectors.

"The production plans for the current quarter and for the second half of 1992 do point to an increase but any expansion this year may be markedly restricted by excessively large stocks-of-finished goods," the report says. Nearly half the 1,862 companies questioned have cut jobs.

■ Unemployment in Sweden rose to 4.2 per cent in March, the highest since records began in the 1970s, according to the Central Statistics Bureau.

EUROPE

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NEWS: EUROPE

Two quit ethnically divided republic's collective leadership, sparking fears of deepening turmoil and bloodshed

Bosnia's Serb minority declares independence

By Laura Silber in Belgrade and Andrew Hill in Brussels

SERB leaders yesterday declared an independent Serbian republic within Bosnia-Hercegovina, the ethnically mixed Yugoslav republic, following the European Community's decision on Monday to recognise Bosnia's independence.

Serbs in the republic, where there was further ethnic violence yesterday, fear becoming a minority in an independent Bosnia-Hercegovina, separated from Serbs elsewhere in the former federation.

Yugoslav air force jets were reported yesterday to have launched two strikes against targets in western Bosnia. Five people were killed when jets attacked the predominantly Croat towns of Listica and Citluk, according to emergency council officials in Siroki Brijeg, in the south-west.

The federal air force said the attacks were launched in response to provocations on "hostile military targets" controlled by local Croat units. Radio Sarajevo reported fierce clashes around Mostar, 20 miles north-east of Listica, where the federal army said the airport came under attack.

The army denied the raid, but said it attacked military installations in two Croat-populated towns nearby.

The resignation of Bosnia's Serb leaders from the republic's collective leadership yesterday sparked fears of deepening turmoil and bloodshed. Mrs Biljana Plavsic and Mr Nikola Koljevic, the two Serb representatives, resigned after declaring an independent Serbian republic. They said the Serbian Republic of Bosnia would remain in Yugoslavia, joining Serbia and its ally, Montenegro.

Yesterday the US recognised the independence of Bosnia-Hercegovina, and of Croatia and Slovenia. It follows the EC's decision on Monday to recognise Bosnia and lift sanctions against Serbia.

Mr James Baker, the US secretary of state, welcomed the co-operative EC-US approach to diplomatic relations with new independent states.

Dozens of Moslems, Serbs, and Croats – Bosnia's main ethnic groups – have died in the past week as Bosnia's national leaders have failed to agree on a constitution. Most Serbs, who make up a third of the 4.4m population, oppose an independent Bosnia. The Moslems and Croats favour independence.

European observers yesterday agreed the Serb-controlled army will play a key role in determining the course of events in Bosnia amid growing signs that the army has distributed weapons and redeployed troops in Serb-populated areas.

Meanwhile in Sarajevo, the capital, was placed under curfew. Schools were closed and there was panic buying at the few shops that opened.

Ethnic Croatians in Bosnia arriving in the town of Kupres after fleeing Serbian bombing raids on their homes

Swiss banks castigated for Omni 'carelessness'

By Frances Williams in Geneva

SWITZERLAND'S Federal Banking Commission has castigated the 50 or so mostly regional Swiss banks involved in lending to Omni Holding, the financial empire of Mr Werner Rey, which collapsed a year ago.

In its annual report for 1991 published yesterday, the regulatory body says the "carelessness" with which some loans to Omni and Rey were granted was not "compatible with the diligence of a serious banker".

The Commission notes that more than half of loans to Omni were made on an unsecured basis, and many were granted without adequate documentation or adherence to proper procedures.

At the end of 1990, lending to Omni amounted to SFr1.4bn, (£530m) including Mr Rey's private debt to Swiss banks of SFr306m.

He filed for personal bankruptcy last September. Including debts to foreign banks, Mr Rey and Omni owe more than SFr2bn, the Commission estimates.

The Commission says it believes the banks have learned their lesson from the Omni collapse, Switzerland's biggest corporate failure. In six banks, including Swiss Bank Corporation, the country's second largest bank, those responsible have resigned or been dismissed, and proceedings are pending in two others.

It is not yet clear how much creditors will recoup of their Omni loans, but many small regional banks have been obliged to make big provisions for bad debt.

This has added to financial pressures from the downturn in Switzerland's property market, which led to failure of a small regional bank in Thun last October.

The Banking Commission warns that the position of regional banks, which are heavily dependent on property lending, could worsen further this year.

Europe's ozone layer shrinks by 20% to record low levels

By Clive Cookson, Science Editor

THE atmosphere over Europe lost 15 to 20 per cent of its protective ozone layer during the winter but does not have a full-scale "ozone hole", an international scientific team said yesterday.

Results from the European Arctic Stratospheric Ozone Experiment (Easoe) show that ozone levels reached a record low over much of the northern hemisphere, as chlorofluorocarbon (CFC) chemicals combined with natural pollutants from the Mount Pinatubo volcanic eruption to create "highly perturbed conditions" in the stratosphere.

The Easoe scientists say the ozone loss is more serious than they expected when the £14m experiment started in the autumn. But it does not match the most alarming predictions made two months ago when Easoe and Nasa, the US space agency, released preliminary measurements of ozone destruction; some environmental specialists said then that an Arctic ozone hole could develop this spring.

An Antarctic hole started to appear annually in the 1980s as a result of CFCs building up in the atmosphere. This has increased the amount of harmful ultraviolet radiation from the sun reaching the ground during the southern spring.

However, the northern hemisphere ozone layer began to recover slightly during February and March, with levels 5 to 15 per cent down on the long-term average.

Although no Arctic ozone hole will appear this year, according to Easoe, "scientists have seen conditions which could lead to an ozone hole if a future winter was longer and colder – and especially as stratospheric chlorine [from CFCs in the upper atmosphere] is expected to increase into the next century."

Scientists on the UK-based European Ozone Secretariat, which co-ordinates Easoe, say their findings add urgency to United Nations negotiations to bring forward a global ban on CFCs and related chemicals under the Montreal protocol. A ministerial meeting planned for November in Copenhagen is expected to agree to phase out ozone-destroying chemicals by the beginning of 1996.

The environmental groups said the evidence supported their demands for an immediate ban on CFC production.

Portugal undaunted by challenge of race to catch up richer EC nations

By Patrick Blum in Lisbon

THE escudo's entry into the exchange rate mechanism of the European Monetary System last weekend demonstrates the Portuguese government's unwavering commitment to carry through fully its economic programme of convergence with its richer EC partners, says Mr Jorge Braga de Macedo, finance minister.

"This is an example of what we are doing to favour economic rationalisation by enterprises. To provide them with a clear environment where they can make their decisions in the best possible way. This is why we are determined to eradicate inflation," he said in an interview.

He is undaunted by the challenges and risks that Portugal may face as it seeks to catch up with its European partners, and rejects any suggestion that the government's economic convergence programme could be over-ambitious.

Curbing the public deficit, to around 3 per cent of GDP by 1997, is a key component of convergence. The government aims to reduce the deficit from 6.5 per cent of GDP in 1991 to 5.2 per cent this year, despite a strong rise in expenditure.

Increases in value added taxes which met widespread criticism were inevitable because of the need to harmonise tax rates within the EC, he says.

He admits current expenditure is "too high" – some economists calculate it has risen by 36 per cent in this year's budget. He says further efforts will be needed to bring expenditure down, but insists this can be only be done gradually through negotiations with public sector trade unions.

"We have a programme of gradual reduction of the number of employees, to induce mobility and enhance productivity," he says. This will help also to release pressures and shortages in the labour market – the consequence of a low 4 per cent unemployment rate.

Wages have been "a serious constraint on public sector finances," he says. In this year's pay round, the government initially offered 6.5 per cent. This was rejected by the unions and after a series of strikes and protests, a 9.75 per cent deal was struck. The minister says real wages in the public sector rose only 1.75 per cent, on the basis of an inflation forecast of 8 per cent.

Public sector wages are calculated on the basis of a forecast for inflation with additional increases for productivity and for real incomes convergence. The plan is to maintain this formula along with the government's inflation targets of 4-6 per cent in 1993-95. Mr Braga de Macedo believes this can be achieved. "It was extremely difficult (to reach agreement). I think this year was the toughest. It was necessary to break the wage inflation mold, now it's a question of preserving the gains (achieved)," he says.

By seeking to win popular agreement for wage restraint, it was possible to reduce inflation "without tears," he says.

Argentina clinches debt deal with banks

By Stephen Fidler in Santo Domingo

ARGENTINA and its international bank creditors yesterday secured an important outline accord aimed at reducing the government's foreign debt burden.

The agreement was achieved in all-night talks which finished at 5am yesterday in Santo Domingo, where the Inter-American Development Bank is holding its annual meeting.

Mr Domingo Cavallo, the Argentine finance minister, who led the negotiating team, said he was sure the accord would represent "a turning point in the Argentine economy".

It was described by Mr David Mulford, US Treasury under-secretary for international affairs as "one of the most important agreements achieved in recent years". He praised Mr Cavallo for "vision and courage" and the banks for a "constructive and statesman-like attitude" to the negotiations.

The outline accord took two months to reach, the fastest negotiation yet of a debt reduction accord, said Mr William Rhodes, the Citicorp vice-chairman, who headed the 13-bank negotiating team.

The Citicorp chief said it would allow Argentina greater access to the international capital markets.

The agreement covered $23bn in *medium-term debt* owed to banks and $8bn in arrears on interest.

Banks holding the medium-term debt may exchange it for:

- 30-year bonds at a discount to face value of 35 per cent, *with interest at London inter-*bank offered rates plus 13/16 per cent, and carrying collateral to guarantee 12 months of interest payments.
- 30-year bonds with the same face value as the debt, with *interest rates rising in steps* from 4 per cent in year one to 6 per cent in years seven to 30. They have a 12-month interest guarantee.

The arrears are being restructured as follows:

When the deal is completed Argentina will pay $400m in cash and $300m worth of Argentine zero-coupon notes *fully collateralised* by US Treasury paper.

The rest will be settled by the issue of 12-year Argentine bonds carrying interest at Libor plus 13/16 per cent. The bonds will amortise in 19 semi-*annual instalments starting* after three years.

Negotiations will continue to finalise details of the accord, which will then be sent out for agreement to all bank creditors.

*Mr Rhodes said his discus*sions with Brazilian officials in Santo Domingo indicated a strong commitment on both sides to move ahead on an outline accord for Brazil.

Negotiations restart later *this month.*

Last-minute efforts: California's former governor Jerry Brown, who is seeking the Democratic party's nomination in the US presidential race, is surrounded by supporters yesterday in the run-up to the crucial New York primary

Mexico to privatise two TV stations

By Damian Fraser in Mexico City

THE Mexican government has taken a small step towards reducing its grip over the national media by announcing it will sell off two television stations and the newspaper El Nacional.

Channels 7 and 13 have a tiny market share but they offer national penetration and the ability to compete with Mexico's television giant, Televisa, which has about 90 per cent of the Mexican television market.

Grupo Vargas, with more than 100,000 subscribers to its pay-as-you-view Multivison channel, is likely to be one of the strongest bidders, given that Televisa has been ruled out of the auction.

El Nacional, funded and owned by the government, closely follows the official line in editorials, although of late reporting has become more objective and readership has increased. The newspaper does not make money, and in the absence of a buyer, the government may retain it.

Even if it is sold, the government's more indirect influence over the press will continue. Almost all Mexican newspapers depend on government advertising or subsidies to make money, and many journalists rely on a monthly *embute* (a stipend) from the department they cover, to boost their miserable wages. The result is self-censorship, and occasionally, more direct government control. It is an arrangement difficult to change since it suits both the newspaper owners and the government.

Independent newspapers and magazines have been flourishing, attracting more readers and advertisers, but in the provinces independent journalism can be highly dangerous. During the presidency of Mr Carlos Salinas de Gortari 17 journalists have been killed according to PEN International, *usually for upsetting* local policeman, drug dealers, or *caciques* (local strongmen).

US government says Chilean exported bomb parts for Iraq

By Alan Friedman in New York

THE Bush Administration, after 18 months of intensive investigation by its Customs Service, has brought a civil complaint accusing Mr Carlos Cardoen, the Chilean arms manufacturer, of money-laundering and illegally exporting US material used to make cluster bombs for Iraq.

Ms Carol Hallet, customs commissioner, said the US filed a legal action to seize $33m of bank accounts and Florida *properties owned by* Mr Cardoen because of the illegal exports. Ms Hallet said Mr Cardoen was accused of illegally shipping from the US to Chile about 100 tonnes of munitions-grade zirconium, a key metal used in *making cluster bombs.* Teledyne Wah Chung, an Oregon company, was named as the zirconium supplier in the suit against Mr Cardoen.

No charges have been filed against Teledyne.

The US government suit states that Mr Cardoen – a mysterious figure who was Mr Saddam Hussein's biggest supplier of cluster bombs and factory technology – laundered more than $200m of profits from cluster bomb sales through Geneva and Miami. Some profits were used to buy Florida real estate.

Mr Cardoen has had an ambiguous relationship with the US and last year denied having worked with the Central Intelligence Agency to clandestinely channel military products to Iraq. At a Miami press conference, US officials said they found no evidence of meetings between Mr Cardoen and Mr Robert Gates, CIA director, who himself denied reports of such meetings.

Ms Hallet said Mr Cardoen was "one of the world's most notorious merchants of death".

A joint investigation by the Financial Times and ABC News/Nightline last year uncovered an April 1987 cable from the US embassy in Santiago to Washington in which Mr Cardoen was described as "a responsible recipient of US products". The cable also contained details of Mr Cardoen's cluster bomb sales to Iraq.

Mr Cardoen and the CIA last year denied they had any "direct or indirect" relationship. But the FT/ABC investigation learned that the late Mr James Theberge, US ambassador to Chile until 1985, worked in 1987 and 1988 both as a member of the CIA's Foreign *Intelligence Review Board and* as Mr Cardoen's Washington-based representative.

Caribbean growth rate falters

The region has been hit by world recession, writes **Canute James**

CARIBBEAN economies recorded lower than expected growth last year mainly because of recession in North America and Europe, and will fare no better until the industrialised economies recover, according to the Caribbean Development Bank.

Reporting on the economic performance of its 17 borrowing members, the Barbados-based bank said the Caribbean had been also affected by the Gulf war and by reluctance of some governments to implement economic adjustment policies. "Most countries reported significant slowdown in the rate of economic growth while those reporting increases remained concerned about the need to attain sustainable levels of output growth," said the CDB.

In attempting to deal with the problems, several countries improved the management of their fiscal accounts, while using monetary and exchange rate policies to improve the competitiveness of their exports, the report added.

*Guyana and Jamaica completely liberal*ised their foreign exchange markets and there was a start or expansion of programmes to sell off state-owned enterprises in Barbados, Grenada, Guyana and Jamaica. However, the bank said this had not prevented increasing fiscal deficits which led some countries to rely more and more on domestic sources for financing the shortfalls, putting pressure on domestic interest rates.

The recession in industrialised countries affected all major sectors of the region's economies. Tourism suffered, said the CDB, because of "the continued slowdown in economic activity in the US, together with the outbreak of war in the Persian Gulf which exacerbated fears about the safety of air travel."

Export trade outside the Caribbean Community (Caricom) was depressed by the recession in the major markets, and this was compounded by other developments such as the reduction of the region's sugar quota to the US.

The bank said this was of major concern, and reported that a 35 per cent quota *cut by the US last year would reduce the* Caribbean's export earnings significantly as it will be forced to sell more sugar at world market prices which are lower than the preferential price paid by the US.

Reduced production also troubled the regional sugar industry last year, said the CDB, with cumulative output falling by 3 per cent.

The region's bauxite producers, Jamaica and Guyana, suffered from weak world prices and a loss of markets following the collapse of the Soviet Union. Despite an increase in production and exports by Jamaica last year the island's gross earnings declined, the CDB said.

The region's banana output declined by almost 12 per cent last year, and there is growing uncertainty over the Caribbean's preferential market in Europe with the creation of a single market next year. The manufacturing and construction sectors also declined, the report said.

The bank's forecast will bring little comfort to Caribbean governments. It said prospects for improvement in economic performance in 1992 were not encouraging. *These prospects depended on the emer*gence of the long-awaited recovery in the US and Europe.

Protectionism 'will hit EC most'

By Christopher Parkes in Bonn

THE European Community, and Germany in particular, stand to lose most if the Uruguay Round under the General Agreement on Tariffs and Trade (Gatt) fails, according to the BDI, Germany's leading industry association. Economic and political reforms in eastern Europe would also be threatened, and the danger of mass migration to the west would be increased.

A drift back into protectionism could be "devastating," according to Mr Heinrich Weiss, association president.

Condemning the EC's "inefficient and unfair" common agricultural policy and special protection afforded farmers, Mr Weiss demanded determined reform. Concern over prospects for the talks has risen in Germany, where room for political manoeuvre *is limited* by Bonn's long-standing special relationship with France, the main opponent of agricultural concessions demanded chiefly by the US.

It was paradoxical that farming, which contributed just 3.5 per cent of net value added in the Community and 2 per cent in Germany, should be a stumbling block, Mr Weiss said in a report just published.

Germany derived 32 per cent of national income from exports, compared with 11 per cent in Japan and 10 per cent in the US. More than 60 per cent of mechanical engineering jobs were export-related, 51 per cent in the motor industry, 57 per cent in chemicals and 46 per cent in electrical engineering, the report said.

The Community, accounting for 40 per cent of world trade, was the world's biggest export region, even after allowing for intra-member dealings and would therefore be hardest hit by any relapse into protectionism.

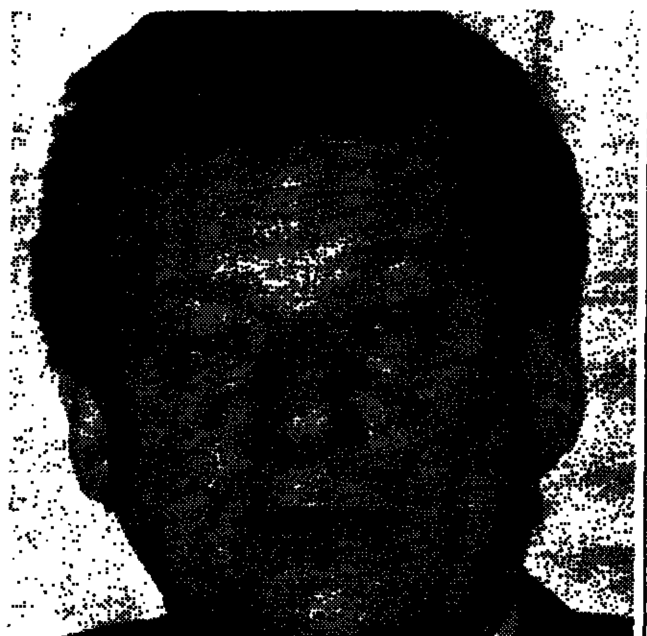
The results would include:

- Higher producer and consumer prices. Current estimates put the cost of protection against imports at between 2 per cent and 3 per cent of gross domestic product, the report claimed. Projected through the EC as a whole, this would amount to $140bn (£80bn) annually.
- Loss of employment. Some 44m people work for exports; a proportion of these jobs would be put at risk.
- Political conflict and instability, particularly between the the Community, Japan and the US, the so-called triad.

Reuter adds from Bonn: The 24 members of the Organisation for Economic Cooperation and Development must resolve to continue world trade talks and prevent protectionism if the talks fail, Mr Jean-Claude Paye, OECD secretary-general said.

He said it was imperative OECD members "state very clearly their full resolve to prevent any drift in the direction of protectionist measures."

- Portugal's plan for a special meeting of EC trade ministers to discuss world trade talks has been shelved, the European Commission said, Reuter reports from Brussels. Portuguese Prime Minister Aníbal Cavaco Silva, whose country holds the rotating presidency of the EC, had proposed the plan to analyse prospects for Gatt talks before he and European Commission President Jacques Delors visit Washington on April 22.



Heinrich Weiss, president of Germany's leading industry association: drift to protectionism could be 'devastating'

NEWS IN BRIEF

Miti to probe US move over anti-trust laws

Japan's Ministry of International Trade and Industry (Miti) has established a working group to examine a US decision to apply anti-trust laws against foreign companies alleged to have unfairly blocked access for US exporters, writes Robert Thomson in Tokyo.

The US decision on enforcement guidelines, viewed in Tokyo as a direct result of frustration with Japan, has confused Japanese officials, unsure whether the change is merely symbolic or will prompt a rush of actions against Japanese companies.

"We have several officials who are now studying this change very closely. We have heard that it is a symbolic change only and we have noted that this change was made in a US election year, but we are not certain exactly what will happen," a senior Miti official said.

The US has strongly condemned Japanese enforcement of anti-monopoly laws, and while the Fair Trade Commission (FTC) has become more vigilant over the past two years, US companies still complain that exclusionary practices remain common in Japan.

Under the new standard, the US justice department will be able to act against a range of collusive practices by foreign companies in their home markets, although court action would likely be taken against US subsidiaries of those companies.

Indonesian water for Singapore

The government of Singapore is to invest S$1.4bn (£485m) in a water development project on Indonesia's Bintan Island, Indonesia's official Antara news agency said yesterday, writes William Keeling in Jakarta.

Antara quoted Mr Rivale Rachman, administration secretary of Riau province and responsible for Bintan and Batam islands - which with Singapore and Malaysia's Johor state make up the "growth triangle" - that the agreement had been signed between the two countries last month.

The agreement supplements a 30-year accord signed on June 20 last year, Antara said, in which Indonesia agreed to supply Singapore 1bn gallons of water a day at a price of one Singapore cent per cubic metre. The water is to be piped from Bintan Island through Batam Island and across the sea to Singapore. The project will be completed in three stages over 15 years.

Mr Rachman said "the project will be fully financed by the Singapore government and not by its private sector." Batam has been attracting most investment, US$2.2bn in commitments by 1991, but adequate water supply has been a major restriction to further development. A limit of 40 cubic metres per hectare a day has been imposed. However Bintam which has 14 rivers is the more abundant in water resources and the project will include the construction of a reservoir.

Poland seeks accord with Fiat

Poland is hoping that a final agreement with Fiat the Italian car maker, on a joint venture with the FSM car factory can be signed later this month after the Easter holiday, writes Christopher Bobinski in Warsaw.

Mr Andrzej Olechowski, finance minister, who led the Polish negotiating team in a day of talks with Fiat on Monday, said later that "notwithstanding unforseeable events" a contract should be signed then.

Talks on the joint venture have dragged on for months over differences on valuing the heavily indebted FSM plant which is now the sole producer of Fiat's new Cinquecento model. The Polish government has offered to write off the company's huge domestic debt but there is still a loan valued at in excess of DM1bn (£352m) to be paid off arising from the Cinquencento development originally agreed in 1987.

The Poles have been arguing that the 160,000 Cinquecento cars, to be produced this year under an accord signed with the then communist government, are losing FSM money. They have also urged Fiat to take on at least part of FSM's foreign currency debt before taking a 51 per cent share in the new company.

Politics of cost bedevil Hong Kong's new airport

Simon Holberton explains why estimates have jumped 14% – and where the HK$114bn will come from

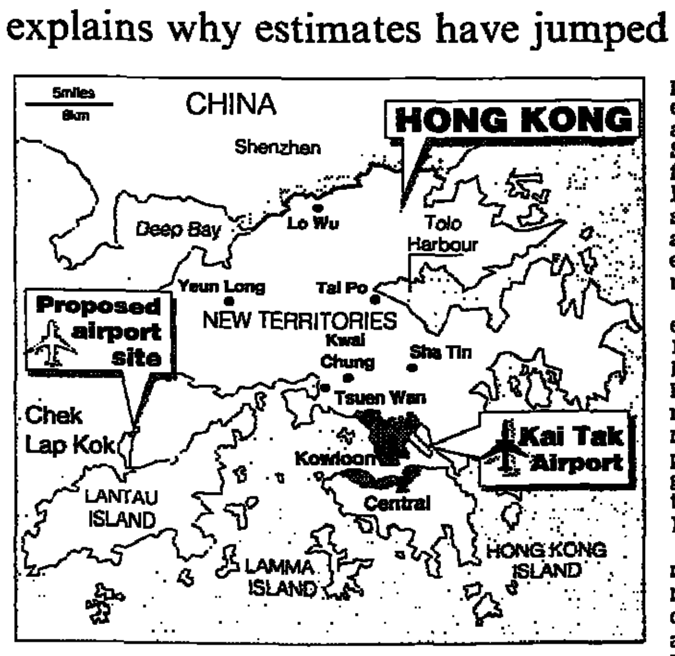
THE HONG Kong government published updated cost estimates last week for its plan to bequeath a modern airport to the colony before British rule ends in 1997. In the space of a year the real cost rose 13.8 per cent, taking the project, in March 1991 prices, to $HK114bn (£8.5bn).

However, given the politics of the airport's conception and the scale of the project, cost over-runs were inevitable. Beijing was dubious from the start but it traded its consent for a larger say in Hong Kong's affairs before the formal hand-over on July 1 1997.

That said, Beijing was – and is still – concerned about the airport's cost. The Hong Kong government knew the airport would cost more, but judged it politic to say so after the UK and China agreed to proceed with the project rather than as negotiations were going on or in their immediate aftermath.

The over-run has much to do with the optimistic assumptions of the Hong Kong government about some of the "core" projects which make up Asia's single most ambitious urban infrastructure development plan.

The key problem is the plan to build a railway from the airport to the central district of Victoria Island. This was estimated at first to cost HK$12bn; the new estimate is HK$22bn.



To make the railway project financially viable, the government has ceded to the Mass Transit Railway Corporation (MTRC) – the company which will build and own the railway – an unprecedented 60 hectares of land adjacent to and over the proposed underground line for profitable redevelopment.

The government has further had to undertake to invest, in March 1991 prices, HK$3bn in the MTRC and agree to stump up HK$7bn of "callable equity" in the event of future difficulties.

These are deals the MTRC can rightly be proud of and they certainly safeguard its financial security. Late last year the MTRC presented this proposal to international bankers and the US credit rating agencies and won plaudits. Standard and Poors, in confirming the MTRC's single-A long-term rating and its A-1 short-term rating in late February, said the rating affirmation encompassed a review of the railway project.

However, Beijing has expressed concern at the post-1997 blank check it thinks the British administrators of Hong Kong want it to endorse. China's approval is needed for the railway (and the airport) to proceed because of the implicit government financial guarantees which extend beyond 1997.

The Hong Kong government's line is that Beijing needs educating in the realities of international construction and finance: "This is not a World Bank-funded project of the sort they are used to," said one official.

Officials believe the government will receive at least a qualified yes from the Chinese to proceed with the railway. They say the railway can open up to 18 months after the airport before congestion becomes serious.

No such problems with Beijing are expected over the airport itself (because they regard it as financially sound), the 330 hectares west Kowloon reclamation and the cross-harbour tunnel planned to connect west Kowloon with the central district of Hong Kong.

Meanwhile, work is proceeding apace to level Chek Lap Kok, the small island to the north of Lantau Island, which will form the platform for the runways, terminal and associated services.

What Hong Kong officials can be less certain of is successfully negotiating the rocky waters of contract conferral. Deep in the conspiratorial Chinese mind there has always lurked the thought that the airport and its related projects is Britain's way of repatriating Hong Kong's riches to the metropol by way of large construction contracts.

When the Provisional Airport Authority announced that Sir Norman Foster and others had won the HK$536m for the design of the airport terminal a howl of protest went up when it was discovered that Sir Norman's bid was the highest of the three short-listed candidates.

Of the 38 contracts so far let, UK companies have figured in 80 per cent.

Most have been small, but the crunch will come when the contracts are awarded for the Tsing Ma bridge, which will connect Lantau with Kowloon, the Western Harbour crossing, and the site preparation contract for Chek Lap Kok itself, due to be awarded in May.

Most bidders have been careful to include among their consortia at least one mainland Chinese company – a modern east-Asian equivalent of buying Papal indulgences.

The Hong Kong government has decided to finance the construction of the Lantau fixed crossing internally and will select the consortium to construct the Tsing Ma Bridge on its technical capabilities.

Government officials said yesterday external finance had never been a pre-requisite for the Lantau crossing. Bidders for the contract had been asked to quote on financial packages but none was as competitive as the government's own source of finance.

Officials said the government would look to offer a long-term franchise to operate the bridge, possibly in three to four years. By then contracts for future ports development – including the terminal 10 container port – may have been awarded, thereby securing the level of traffic needed to make the bridge a commercial venture.

China attacks Washington for interference

By Robert Thomson in Tokyo

JIANG ZEMIN, the Chinese Communist party general secretary, yesterday used a visit to Tokyo as a platform for an attack on the US, which he condemned for its "interference in the internal affairs" of other countries.

Jiang did not name Washington, but his speech was a clear reference to continued US criticism of China's human rights record and arms export policies. He said the international political situation had changed, but "hegemony and power politics remain a serious problem".

Having berated the US, Jiang told Japanese leaders they had an important role in helping China's economic reform programme, and he invited Emperor Akihito to visit Beijing this year as part of celebrations to mark the 20th anniversary of the restoration of diplomatic relations between the two countries.

Jiang is the first top-level Chinese leader to visit Japan since Premier Li Peng in April 1989. A few months later, China's army crushed the pro-democracy movement in Beijing, and Japan joined the West in freezing high-level exchanges with China.

Japan has led the West in gradually restoring contacts, including foreign aid.

Last year, Mr Toshiki Kaifu, who was then Japanese prime minister, became the first leader of a major western power to visit Beijing after the crackdown.

The Communist party chief and Japanese leaders yesterday implicitly agreed to overlook Beijing's crushing of the pro-democracy movement and Mr Kiichi Miyazawa, Japan's prime minister, indicated that his country's two most important partners were Beijing and Washington.

But the warmth of the relationship has limits. The Japanese government appears reluctant to approve the emperor's Beijing visit when the two countries are unable to settle a dispute over the ownership of a collection of East China Sea islands, known to Tokyo as the Senkaku islands, and to Beijing as the Diaoyutai group.

In Peking Jiang's five-day *visit to Tokyo is seen as an* important step towards domestic and international credibility for the Chinese leadership under Jiang, who was making his first visit to a leading industrialised nation as party leader.

Thai army commander becomes prime minister

By Peter Ungphakorn in Bangkok

THAILAND'S army commander, General Suchinda Kraprayoon, who did not stand in last month's general election, was appointed prime minister yesterday as opposition parties and civil rights activists continued their campaign for an elected premier.

He pledged to continue with the liberal economic policies of his predecessor, Mr Anand Panyarachun, and to emphasise the role of the private sector. Gen Suchinda, who was de facto leader of last year's coup d'état, had picked Mr Anand.

The constitution allows a non-elected prime minister, but Gen Suchinda will have to resign from military service. In addition to being army commander in chief, he is also armed forces supreme commander.

Business leaders were generally muted in their reaction to his appointment. They said they were more interested in who would be finance minister and what policies would be adopted.

The new premier has yet to appoint his cabinet.

Some expressed relief that a two-week impasse over the premiership had ended. Initially the five parties that now back Gen Suchinda had proposed Mr Narong Wongwan, the leader of the largest party. But his candidacy aroused strong opposition because he had been refused entry to the US for alleged associations with drug trafficking.

Four opposition parties yesterday reaffirmed their objection to a non-elected prime minister and reminded Gen Suchinda he had stated categorically in November that he would not accept the premiership.

Marcos funeral planned

By Jose Galang in Manila

THE FAMILY of Ferdinand Marcos, the late Philippine dictator, has informed the government of plans for the return of his body next Sunday from Hawaii where he had died in exile.

Marcos lawyers told President Corazon Aquino's office that the family plans to fly the body by chartered aircraft directly to Laoag City in Ilocos Norte, Mr Marcos's home province, where it will lie in state at his ancestral home in Batac town for a traditional nine-day wake. The burial has been set for April 21 in Paoay, Ilocos Norte.

The move fulfils a condition set by the Aquino government that the family submit burial plans for approval before the homecoming.

Last week Manila asked the US government to bar the loading of Mr Marcos's remains unless the coffin bears the Philippine consular seal in Hawaii.

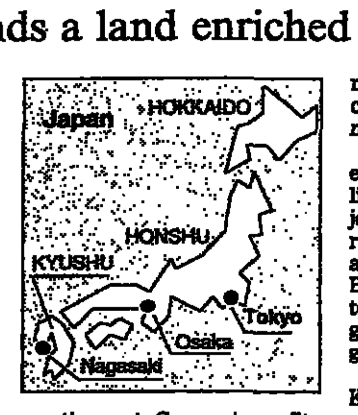
A Nissan worker pictured on the loading dock of the company's plant at the northern tip of Kyushu island *Glyn Genin*

Japanese island turns recession on its head

Steven Butler finds a land enriched by recent car and electronics industry investment

THE JAPANESE economy may be sliding into *recession, but you* would hardly know it on Kyushu.

Kyushu is the country's southernmost main island. It is about the size of the Netherlands and accounts for about 10 per cent of the national economy. It is also soaring on the back of an investment boom, even as capital spending in the rest of the country is plunging.



Nissan Motor this month turns the switch on a new assembly plant on the northern tip of the island. Toyota, Japan's biggest car maker, has begun construction of a new assembly facility a few miles inland. Following them are dozens of companies that make car parts and components.

Investment in the island's transport industry, including cars and shipbuilding, nearly trebled in 1990, was up by 80 per cent in 1991 and is expected to rise by 56 per cent in 1992 to Y118.3bn (£512m). With automotive investment following an investment surge by semiconductor manufacturers in the past decade, the island is dotted with some of the world's most technologically sophisticated industrial facilities.

Meanwhile, factory output nationally is being slashed and overtime cut. Corporate profits are falling fast, and the stock market languishing at five-year lows. While a Japanese recession looks nothing like its western counterpart (there are no armies of homeless and unemployed or boarded-up shops), in the industrial heartland areas around Tokyo and Osaka property prices are plunging and bankruptcies increasing.

In contrast to predictions for the whole of Japan of a 9.6 per cent rise in capital investment (excluding electricity) for the fiscal year which ended last week, investment in Kyushu is going up in double digits – at 15.1 per cent. That is expected to drop next year to only a 0.4 per cent gain, but this is against a national decline of 1.3 per cent. In manufacturing, Kyushu is still expected to move ahead by 6.2 per cent, compared to an expected *national decline of 6.1 per cent.*

It was not always thus. The economy of Kyushu used to be like the rear tyres of a jumbo jet, says Mr Takeshi Okuma, research and planning manager at the Japan Development Bank's Fukuoka office: the last to take off when the economy got going and first to hit ground when recession came.

These days, however, Kyushu is looking more and more like a perpetual flying machine. "The business trends do not affect us so deeply in Kyushu," says Mr Okuma, with gentle understatement.

This seems all the more surprising because the recent prosperity in Kyushu is founded on the two manufacturing industries hit hardest by the slowdown in the economy: cars and electronics.

The transformation of the Kyushu economy took place in the last decade following a steady stream of investment from the electronics industry into high-technology semiconductor fabrication and assembly facilities.

Manufacturers were attracted by land prices at just 20 per cent of those in the Kanto region – surrounding Tokyo. Companies could also save about 10 per cent on labour costs, and found a generally high quality workforce *that was easier to recruit.*

From 1981 to 1986, semiconductor output grew by 30.3 per cent a year, and although growth tailed off to 6.6 per cent afterwards, Kyushu now accounts for about 40 per cent of semiconductors made in Japan, worth Y890bn in 1990.

This includes some of the highest technology products, such as the four-megabit dynamic random access memory chips made by NEC in Kumamoto. The list of companies with semiconductor plants in Kyushu reads like a Who's Who of the electronics industry, including Toshiba, Fujitsu, Mitsubishi, Sony, Matsushita as well as Texas Instruments of the US.

Semiconductor output this year has been hit by a worldwide drop in the computer and electronics industries, but while overtime may be cut, workers are not being laid off. Mr Hiroto Nabeta, product engineering manager at Texas Instrument's factory in Oita prefecture, says monthly unit output is about 30 per cent below the factory's record one month output.

Staff, however, have been redeployed to product development teams, including 12 joint projects with automotive companies for application-specific *chips.*

In Kagoshima prefecture, NEC has recently started construction of a Y50bn facility to manufacture colour liquid crystal display panels.

All of this development has gradually changed the quality of life in Kyushu, part of which was once something of an agricultural outback. Indeed one of the sources of growth this year has been a proliferation of leisure facilities, including a sports dome in Fukuoka and a theme park that looks for all the world like a Dutch city on a canal.

When Nissan and Toyota advertised internally to recruit production managers to staff their new facilities they found the positions vastly oversubscribed. Most of the applicants were Kyushu natives who decided it was time to return home, where it is still possible for an ordinary salaried employee to afford a house.

Japan's economic slowdown will in the end have some impact in Kyushu, as demand growth throughout the economy contracts. Yet the speculative bubble never hit hard in the island and any downturn should pass quickly, since Kyushu will not have to cope with asset deflation.

Nigeria opens the door for S Africa

By Patti Waldmeir in Johannesburg

WHEN ONE Nigerian newspaper recently hailed South Africa's world cup cricketers as "Champions for Africa", it became clear that decades of hostility between two of the continent's regional powers had come to an end.

Tomorrow South African President F W de Klerk will begin a two-day official visit to Nigeria, the first ever paid by a South African leader to the country which has proved apartheid's staunchest opponent in Africa.

At the United Nations and within the Organisation of African Unity (OAU), Nigeria long pushed for the total isolation of the Pretoria government. But Nigerian President Ibrahim Babangida, the current chairman of the OAU, was among the first African leaders to recognise – privately – the immense changes taking place in South Africa.

For months, he is understood to have been keen to invite Mr *de Klerk for a visit. Last* month's referendum in South Africa, in which whites finally rejected apartheid, gave him the excuse he needed to set a date. Loud protestations from the African National Congress, which insists sanctions be maintained against Pretoria until a multiracial interim government is set up, did not deter him.

The visit marks South Africa's final reconciliation with the rest of Africa, from which it has been so long estranged. No African door can remain closed to Mr de Klerk, now that Nigeria has welcomed him back. And South African officials are hoping that the visit will pave the way for membership of the OAU and the African Development Bank (though not before an interim government is set up in South Africa).

It seems likely that Pretoria will soon establish a trade mission in Nigeria, though full diplomatic relations may take longer to achieve. Much will depend on the success of the visit, during which Gen Babangida will host a state banquet for Mr de Klerk at Abuja, the new Nigerian capital.

Yesterday Nigeria's neighbour, the Ivory Coast, which maintained contact with Pretoria throughout the sanctions period, agreed to establish full diplomatic ties at ambassadorial level.

But Pretoria's keenness to establish good relations with the countries of Africa – especially with Nigeria, the continent's most populous nation – stems more from economic need than political will. Mr Pik Botha, foreign minister, has a vision of the continent's four regional powers – Egypt, Nigeria, South Africa, and Kenya – dragging Africa out of the economic mire by working together.

And bilaterally, Pretoria is obviously looking to Nigeria as an export market. The heads of South Africa's three largest business organisations, the South African Foreign Trade Organisation, the South African Chamber of Business and the Afrikaanse Handelsinstituut, will accompany him on his visit.

Trade officials are focusing on South African exports to Nigeria, especially steel, industrial chemicals and transport equipment, with South African companies also likely to be involved in projects to improve Nigeria's road and rail infrastructure (possibly with the help of multilateral aid funds), and mineral exploration.

Malawi arrests

Malawian police arrested five labour officials who work with a prominent pro-democracy activist already in detention, Agencies report. The five, employed by the Southern African Trade Union Co-ordinating Council, were believed to include nationals of neighbouring countries.

Libyan demonstrators mob UN envoy

By Tony Walker in Cairo

A CHANTING mob yesterday blocked a motorcade in Tripoli carrying a United Nations envoy sent to explain a UN resolution imposing sanctions against Libya over its refusal to yield two men suspected of the 1988 bombing of a US airliner.

Mr Vladimir Petrovsky, the UN under-secretary general for political affairs, was later assailed in his hotel by the demonstrators, who were dispersed by riot police firing tear gas.

The Tripoli demonstrations hardly augured well for renewed attempts by Arab League foreign ministers in Cairo last night to find a compromise to Libya's increasingly bitter dispute with the world community.

The special committee of seven ministers from Egypt, Algeria, Tunisia, Syria, Libya, Mauritania and Morocco was formed several weeks ago to defuse the Libyan crisis, but it has been ineffectual.

Mr Amr Moussa, Egypt's foreign minister, told reporters after a morning's informal talks on the Libyan affair there were "many proposals" on the table, but he would not go into details. Privately League officials are pessimistic about their latest mediation efforts.

"The aim of the committee is to contain the situation, confirm the Arab position opposing terrorism, solve the problem in the framework of international sovereignty and provide a solution which all parties will agree to," Mr Moussa added.

One proposal is for Libya to hand over the two men to the Arab League which would act as a conduit for their eventual surrender to the British or US authorities for trial. Mr Boutros Boutros Ghali, UN secretary general, would also be involved in facilitating such a transfer.

But in Tripoli at the weekend, Libya's Colonel Muammer Gadaffi was adamant that unless the men voluntarily gave themselves up, he would not hand them over. Libya would never surrender its "sons", he declared.

Security Council Resolution 748, agreed last week, imposes an air and arms embargo against Libya from April 15 if it continues to block attempts to extradite its nationals suspected of downing Pan Am flight 103 over Lockerbie in Scotland.

The Council is also demanding that Libya make available for questioning to the French authorities four Libyans, including Col Gadaffi's brother-in-law, in connection with the bombing of a French UTA aircraft over Niger with loss of all 171 passengers and crew.

Iraq-Kuwait border team delays report

By Mark Nicholson, Middle East Correspondent

THE United Nations commission demarcating Kuwait's northern border with Iraq, as part of the Gulf war ceasefire agreement, is unlikely to deliver its final decision on the boundary until June at the earliest, officials close to the commission said yesterday.

The five-member UN team convenes today in New York for a meeting after which it had been expected to announce its findings.

Although the team is understood to have reached agreement on four sections of the 200km (125-mile) disputed border, observers of the commission's work say the team may require a further meeting.

The commission will continue meeting until April 20. It is working to determine the exact position on the ground of the international boundary that was agreed by Iraq and Kuwait in a 1963 exchange of minutes, and which was based itself on a loose definition of the border made in 1932.

The team is expected to demark a line to the north of the de facto Iraq-Kuwait border before Iraq's invasion of the emirate in 1990 – a line likely to lie north of several Iraqi-drilled oil wells in the Rumaila oil field and expected to cut across the Iraqi Umm Qasr naval base.

Immigrants cast their spell over Israeli election

Jewish immigrants from Russia could tip the balance in favour of Labour, reports **Hugh Carnegy**

FOR 30 months, Jewish immigrants from the former Soviet Union have seeped into every corner of Israeli life: in the supermarkets, in the schools, in the workplace, even busking on street corners, they are everywhere in evidence.

Russian is the most widely heard language after Hebrew and Arabic. There are daily broadcasts in Russian, and cyrillic subtitles are common on television. Yet the political voice of the *olim* (literally, ascendants) has been muted. That may be about to change.

In the general election on June 23, the way the immigrants vote could have a dramatic impact on the outcome of the poll. Such are their numbers in a small electorate, that if they tend heavily to favour one party over another, they could decide whether the Likud party of Mr Yitzhak Shamir, the incumbent prime minister, or the opposition Labour party leads the next government.

A survey published this week suggested such a trend was developing for Labour. The latest in a series carried out by Jerusalem's Tazpit Research Institute showed support among Russian immigrants for Labour and its potential coalition allies rising to 43 per cent, compared with 27 per cent for the Likud and its right-wing allies.

The result was a remarkable turnround from the position in April 1991, when the right scored 46 per cent and the left 21 per cent.

With 2¼ months still to go until polling day – and 29 per cent of the *olim* remaining undecided, according to the poll – it is important not read too much into the Tazpit findings. But it has underlined the importance of the immigrant vote to Labour's bid, under Mr Yitzhak Rabin, its new leader, to replace Mr Shamir's hard-line government with an administration committed to territorial compromise in the current Middle East peace negotiations.

Since September 1989, some 360,000 immigrants have arrived from territories now in the Commonwealth of Independent States. Some 240,000 of them will be eligible to vote, out of a total electorate of something over 3m. Mr Aharon Fein, director of Tazpit, reckons about 180,000 of the eligible newcomers will actually vote.

Under Israel's system of proportional representation, that number would account for about eight seats in the 120-seat Knesset in which Labour trailed Likud in the 1988 election by just one seat.

What is striking about the apparent swing to Labour is that it confounds the past tendency of Soviet immigrants to spurn the party because of its socialist background and favour the tough stance of the Likud in refusing to make territorial compromises with the Palestinians. The chief reason for the switch is a profound dissatisfaction with the economic record of Mr Shamir's government.

Almost one in every two immigrants of working age is without a job. There is great resentment against the high price of housing, and the government's insistence on building a large proportion of new housing in peripheral areas where jobs are scarcest and few *olim* want to settle.

"The majority have a tendency towards the right. But because the government has done such a poor job on absorption many are now inclined against the Likud," says Mr Ephraim Meidan, a Soviet immigrant in the 1970s who now lectures to *olim* on Israeli politics. "A vote against the government will be a protest against Likud, not a positive vote for Labour."

But Mr Fein thinks there are other factors at work. He says many Russian *olim* feel a greater ethnic empathy with Labour, the traditional party of Russian and east European "Ashkenazi" Zionists, than with the Likud which has big support among the "Sephardi" communities originally mainly from North Africa and Middle eastern countries.

He also says the largely non-religious Russians perceive the Likud to be more influenced by religious parties, whose heavy involvement in the bureaucratic absorption process has upset many of them. On top of these issues, says Mr Fein, the immigrants have learned that Labour's socialism is a good deal less rigid than in the past.

The main ideological divide between Labour and Likud, over what to do about the occupied territories, appears not to be the decisive factor in how the immigrants will vote.

Instead, many *olim* accuse both Labour and Likud of paying only lip service to absorption. As a result, a number of exclusive *olim* parties have emerged, notably a group called Da, which wants to force the main parties to adopt its prescriptions for employment and housing.

"It's not that we are uninterested in the issue of territory," says Mrs Faina Selmitska, a Da activist in Jerusalem. "But immigrants think that the traditional parties are uninterested in their concerns. Of course peace is important. But it won't be coming soon, so for us the big issues are economic." Da leaders think the party could win up to three Knesset seats.

Ms Ida Nudel, a former Prisoner of Zion detained by the Soviet regime, says until now Russian *olim* were nervous of expressing political views. "But we are learning a lot and we discover that Israeli society is like any society and has a lot of problems. And because we are a big entity in that society we should fight for our place without self-restraint."

ELECTION 1992

PM appeals on ticket of '10 Tory truths'

By Alison Smith

MR JOHN Major last night made a personal appeal to voters to give him a mandate tomorrow to continue his work in government.

Asserting traditional conservative values such as strong defence and trade union reform – what he called "10 Tory truths" – Mr Major linked the government's achievements since 1979 with his own record and his aims for Britain.

At the last rally of his campaign, he told his 1,000-strong audience at Wembley Conference Centre in north London: "I have only just begun the tasks I have set myself.

"I ask this nation to look at my record of service and my ideals for the future, to place their trust in me, and in this party, that has served them so well and faithfully."

His own experiences, he said, meant that he understood "what makes the heart of Britain beat".

In spite of the opinion polls continuing to show a slight Labour lead and a day's campaigning that was at best low-key, the mood on the Major tour is relentlessly cheerful.

This final campaign rally broadly followed the format of others but was given some razzmatazz by the presence of Ms Cilla Black, video tributes from Mr Douglas Hurd and Mr Michael Heseltine and the distribution to the audience of flags, hats and party poppers.

In an effective performance, the prime minister set out his vision of a Europe of nation states, and of economic recovery in Britain together with both cuts in taxation and higher spending on public services.

While most of his "10 truths" promised more of the same for a fourth term. It was notable that the message on privatisation merely referred backwards to the changes that had already been made.

Mr Major's speech also contained stark warnings about the effects of a Labour victory. He said that there would be a steep and immediate drop in the value of homes, shares and pensions if Labour won, and underlined the prospect of greater powers for trade union leaders.

Labour would mean, he said, perhaps the biggest transfer of wealth away from personal ownership that the UK had seen. "It would be a massacre of the innocents by the ignorant."

Mr Neil Kinnock came under a fierce attack, as the prime minister accused him of the "anything-for-office" syndrome, in which no belief was indispensable.

"To what principles, to what beliefs would the Labour leader resort when the going is tough? Labour would be a rudderless ship in a storm-tossed sea," he said.

He also condemned Mr Kinnock's offer to open discussions on proportional representation. PR was "nothing to do with fair play; everything to do with power play", he said.

Quotes of the day

We do not ask for what Scotland can do for us, but what we can do for Scotland
Ian Lang, Scottish Secretary

If public opinion was the arbiter, we would not have rearmed against Hitler
Michael Heseltine defending constitutional status quo in Scotland

Scotland is set to rejoin the world
Jim Sillars

If you had asked a plumber not once, not twice, but three times to fix a leak, and you were standing in the kitchen up to your waist in water, would you call the same plumber to fix it again?
Neil Kinnock on three Tory terms

I know it is going to be all right – we are going to surprise people on Thursday night
John Major

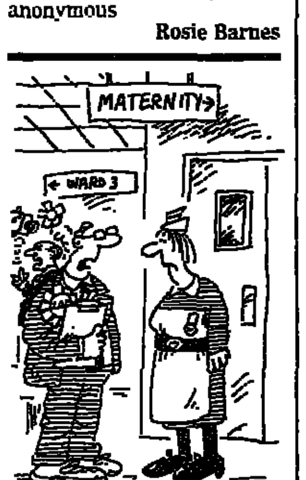
I'm light-headed but not light-hearted
Conservative Party press officer

I think the Conservatives get more and more ridiculous when they get their backs to the wall. It is the most panicky piece of scaremongering I have seen in my entire life
Paddy Ashdown on warnings against PR and looser immigration rules

Kenneth Baker has taken the campaign down as deep into the gutter as it can go
Des Wilson on the same subject

On Friday we will send out a search party to find William Waldegrave
Robin Cook

I am feeling peculiarly anonymous
Rosie Barnes



"Mr Kinnock would like to meet someone who was born yesterday."

Major supports Baker and fuels immigration row

By Ivo Dawnay, Political Correspondent

MR JOHN MAJOR yesterday strongly backed Mr Kenneth Baker's efforts to put immigration on the electoral agenda in spite of charges that the Conservatives' were "scaremongering" and playing the race card.

The prime minister said the home secretary had been "right to make the warning" in a speech on Monday, although he added that he regretted that immigration sometimes became a party political matter.

Mr Neil Kinnock said Mr Baker's remarks were "not really worthy of him." Accusing the home secretary of scaremongering, he said: "To try and drag in the activities of extreme right parties is so irrelevant to British politics. The British people show no inclination whatsoever in any system of election to support the far right."

Mr Major insisted that it was thanks to "firm but fair" immigration policies that Britain's race relations had improved and that the country had not suffered from the same problems that recently provoked riots in Marseilles.

Distancing Conservative policy from the "colourful language" employed by Sir Nicholas Fairbairn, the Tory candidate for Perth and Kinross, on race questions at the weekend, Mr Major said the home secretary was entitled to comment on immigration.

"What Kenneth Baker warned of yesterday was the danger that could be caused if that firm but fair immigration control was swept aside," he said.

The controversy over Mr Baker's comments came after he had suggested that Labour and the Liberal Democrats were preparing a "deadly political cocktail" for Britain by weakening immigration controls and simultaneously proposing electoral reform that would "unleash extremists".

Mr Paddy Ashdown, Liberal Democrat leader, immediately condemned his remarks as "panicky scaremongering."

Questioned over growing representation for the French National Front and the German extreme right as a consequence of proportional representation, Mr Ashdown said that by contrast it was Britain's first-past-the-post system that encouraged extremist rule.

He pointed out that if Italy had used the UK system, the Communist party would have held power in the 1960s with between 38 and 40 per cent of the vote.

Tony Andrews

High hopes: John Major takes a breather aboard his campaign aircraft flying to London after a visit to Birmingham

Ashdown presses on electoral reform

By Ralph Atkins

MR PADDY Ashdown last night used his biggest campaign rally, which attracted 1,500 people, to call for a mandate to reform Britain's political system. He warned that the Tories were "playing on division and conflict".

Seeking to energise Liberal Democrat activists ahead of tomorrow's polling, Mr Ashdown said his party, "can now give Britain the leadership it so desperately needs" and predicted widespread Liberal Democrat wins in the south-west, particularly Cornwall.

However, his upbeat speech in St Austell, Cornwall, jarred with the private acknowledgment by Mr Ashdown's aides of the difficulties a hung parliament could cause the party.

The Liberal Democrat leader refuses to call publicly for a hung parliament, which would offer a third party the first chance to influence the government for 15 years, but almost simultaneously says the chance to form a coalition government presents an historic opportunity to form a government based on consensus.

Sir David Steel, former Liberal leader who helped forge the 1977-78 Lib/Lab pact yesterday said that then inflation had fallen from 20 per cent to under 9 per cent while the share prices rose the day the pact was announced, "not because they liked the Lib/Lab pact but because they welcomed the stability".

However, colleagues of Mr Ashdown made clear that he was not looking for a repetition of 1977-78, which failed to bring significant gains for the Liberals, except in delaying a general election. He prefers "partnership" government, including ministerial posts for Liberal Democrats.

Sir David also rebuffed reports that he might not vote against a Labour minority government's Queen's Speech if it included Scottish devolution but not PR.

Close battle in the land of zero poll tax

Labour has the edge in Tooting but may struggle to take Battersea, writes David Owen

IF LABOUR fails to secure the London seats it needs on April 9, it will be because it has not got its message through to people like Peter Davies.

A plasterer and first-time voter, he lives in a tatty housing estate on the north side of Lavender Hill, in Battersea, south-west London.

With the recession biting, he earns well under £20,000 a year, but will be voting Tory.

"Labour are only going to put up taxes," he explains in a remark which is likely to exasperate John Smith and his shadow Treasury team.

Battersea, with the second smallest Tory majority in the capital – 857 – was won by John Bowis in 1987, after 52 years in Labour hands. Neighbouring Tooting has been held for Labour by Tom Cox since 1970, but with an increasingly precarious majority.

The two seats may confound any national or capital-wide swing to Labour on polling day.

Both are in Wandsworth, the Conservatives' model borough, renowned for its low poll tax and which voted decisively in favour of the Tories and against the prevailing trend in the council elections of 1990.

Both have been affected by gentrification, with thousands of professionals moving in at the expense of comparatively *low-paid manual workers.*

It has been widely assumed that these factors would turn Labour's task of winning Battersea and holding Tooting into an uphill battle.

The comments of people like Peter Davies suggest a third element – the continuing alienation of residents in traditional Labour-voting areas.

Several of his neighbours have expressed the same voting intentions.

Their reasons range from gratitude for implementing the council house right-to-buy scheme to opposition to Labour's perceived bias in favour of gays and ethnic minorities.

Alf Dubs, Labour's self-effacing and experienced candidate, concedes that many traditional Labour supporters believe there is nothing the three main parties can do to help them. The level of 'undecideds' is still quite high.

Dubs, Battersea's MP for eight years before he was unseated, is more upbeat about the impact on his prospects of Wandsworth council's antics.

Like Tom Cox in Tooting, he *claims there is a mounting* feeling that a low poll tax is "too high a price to pay" for cuts in services. Both Labour candidates expect to be helped by publicity surrounding the borough's hurriedly withdrawn plans to cut more than £3m from local school budgets. Both argue that gentrification has slowed and will therefore load the dice against them less than it did in 1987.

COX believes that the Tories cannot count on the yuppie vote. Rising unemployment and the moribund property market have left them "very, very bitter", he says, acknowledging that he would be more worried about the potential impact "if the economy was bubbling."

Well-drilled and resourceful though his team is, Dubs faces a further obstacle – the impressive and individualistic campaign being waged by John Bowis.

There can be few Tory candidates who make such abundant use of the colour pink in campaign materials. He has also rejected Central Office's *Henry Purcell campaign theme* in favour of a ditty by Andrew Lloyd Webber. "We won with it last time," he explains.

With his dumpy frame and wide-set eyes, Bowis has the priceless knack of exuding integrity on the doorstep. In contrast to the torpor and disorganisation which have dogged the Conservatives' national campaign, his team bristles with vigour and military discipline.

Asked about polls indicating a substantial swing in the capital to Labour, Bowis chuckles and brands them "absurd".

In Tooting, it is the Tories who are likely to emerge disappointed as a revitalised Cox campaign – supplemented by a squadron of helpers from Surbiton – appears to have got its act together, making the constituency office hum.

The former junior Treasury minister, who entered parliament at the same time as Neil Kinnock, has not been among Westminster's most prominent characters. But leafletting on Tooting Broadway, he is in his element: a Captain Mainwaring figure in blue anorak and sen*sible shoes, exchanging pleas*antries and barking advice to constituents, with many of whom he clearly enjoys a close and cordial relationship.

Martin Winter, his main opponent, has spent most of the campaign hobbling around on NHS crutches. His broken ankle may symbolise his prospects.

He may find his best chance of winning the seat came and went with the buoyant economy of 1987. In a morning rendezvous with a dozen pensioners, he is cheerful and articulate, but describes his early experience of the City as if addressing a bunch of merchant banking trainees.

"He is a very charming young man but he is too soft," concludes Ethel Hammond, who is 80-ish going on 35. That is a judgment few would level at his canny opponent.

Dover may be set to feel sea change

By David Marsh

TORY-held Dover, Britain's gateway to the rest of Europe, will open Labour's door to government tomorrow if Mr Colin Bartholomew has his way.

Mr Bartholomew and Mr Joe Nicholas, two veteran seamen cooks laid off by Sealink last year, have started up a coffee shop in Dover's city centre.

"It's time for a change. It's certainly changed us," said Mr Bartholomew declaring his intention to vote Labour.

Mr Gwyn Prosser, the Labour candidate – himself an ex-Sealink officer engineer who took voluntary redundancy last autumn – was at the shop's opening this week. If he upsets the Conservative incumbent, Mr David Shaw, defending a 6,541 majority, Mr Prosser may pop by again for a slice of celebratory cheesecake.

The cooks' transition from ship to shore symbolises the transformation confronting Dover as it grapples with the prospect of large job losses in port-related activities in the next few years. The opening of the Channel tunnel in nearby Folkestone in 1993-94 threatens to choke off Dover's livelihood.

Dover Council officials estimate that 5,000 further jobs will go by 1995, with staff reductions on the ferries, the *ending of tunnel construction* work, and job losses among freight forwarders as the liberalised single European market comes into force.

Mr Shaw said he was confident of holding on in tomorrow's seven-way fight. Latest canvassing returns gave him 44 per cent across this highly disparate constituency, down only two per cent from last time, he said – pouring scorn on recent telephone polls by local newspapers putting Labour well ahead.

Mr Prosser says that there is sufficient anger in the town over rising unemployment that he will score a majority of at least 3,000. He underlines the need to concentrate resources on bringing in new industrial investment, and even talks of Dover applying for regional aid. Whoever wins, Dover's future will not be plain sailing.

FT/MORI POLL OF TOP COMPANY EXECUTIVES

Smith's Budget fails to impress business leaders

By Philip Stephens, Political Editor

MR John Smith's shadow Budget has not impressed business leaders, according to the second Mori survey of board-level executives for the FT.

Only 7 per cent of the 165 executives, taken from a sample of 235 first interviewed at the start of the election campaign, said that Labour's package would be best for business. That compared with the 89 per *cent who preferred the package* of tax changes announced by Mr Norman Lamont.

The executives acknowledge that Labour's proposed 50p top tax rate and abolition of the ceiling on National Insurance contributions has made personal taxation a much more important factor.

An overwhelming 72 per cent say that management of the economy is the most important factor (compared to 71 per cent in March). But the proportion citing personal taxation as a key issue has jumped from 27 per cent to 45 per cent.

Twenty-two per cent said that Labour's higher tax rates would mean they were likely to work less hard. But more than double that number – 48 per cent – said they thought that Mr Smith's tax package would reduce work incentives for their middle management.

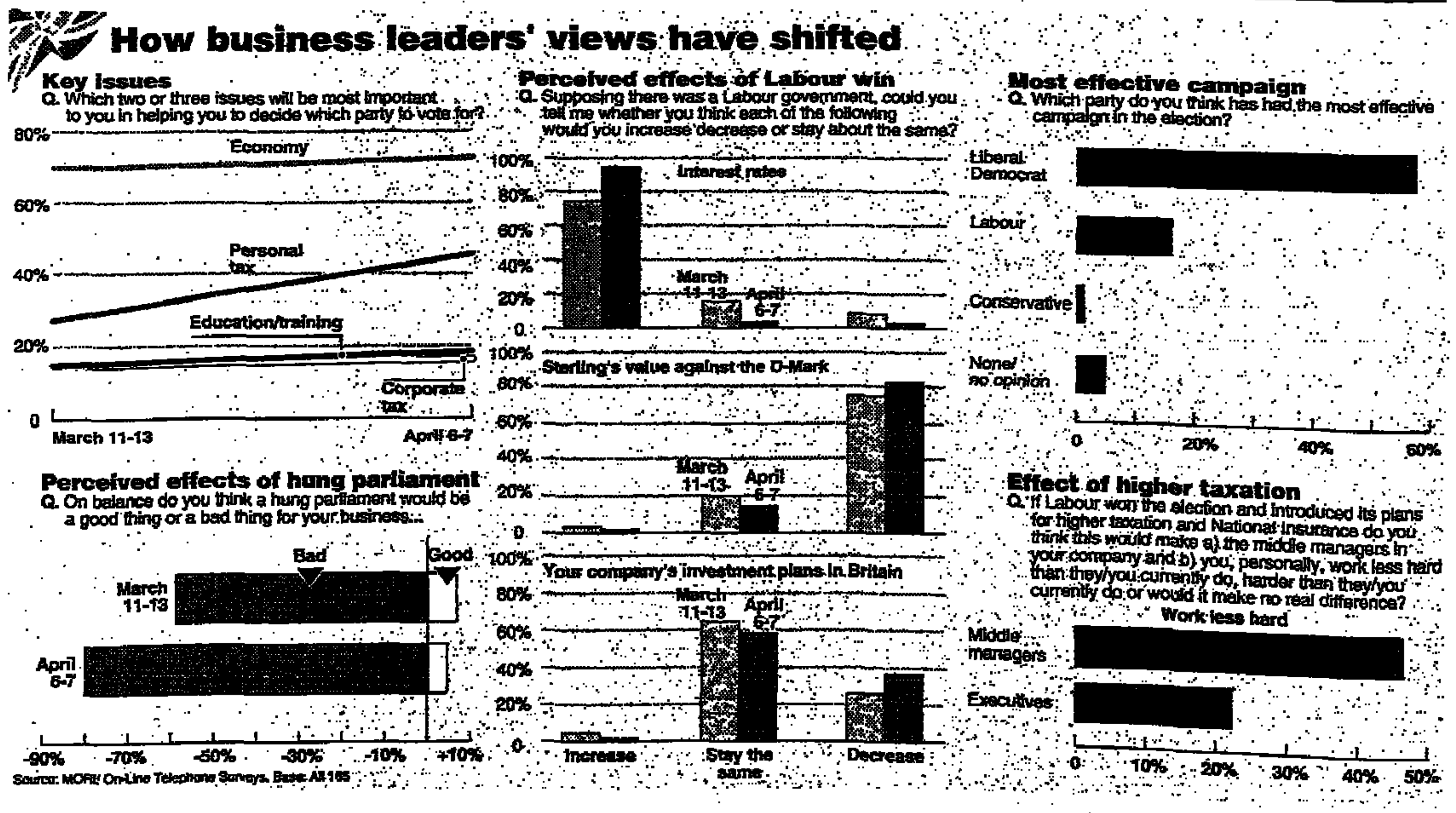
In spite of criticism of his *performance during the* campaign, Mr Lamont's personal rating among business executives has risen slightly. Some 41 per cent say he would make a better chancellor than Mr Smith, up from 39 per cent in March. Mr Smith's rating has fallen from 46 to 44 per cent.

Most discouraging for Labour are the findings that 96 per cent think that interest rates would have to rise if Mr Kinnock wins the election; 83 per cent expect downward pressure on the pound; and more than a third (38 per cent) predict a fall in their companies' investment spending.

That represents a hardening of anxieties about a Labour victory during the campaign. In the first interviews, 76 per cent said that interest rates would have to rise, 75 per cent said sterling would weaken and only 26 per cent said their investment would fall.

But the executives are distinctly unimpressed by the Tories' handling of their campaign. Only 1 per cent thought the governing party had run the best campaign.

Mori/On-line Telephone Surveys interviewed by telephone 165 directors of companies from the FT UK Top 500 on April 6 and 7. All respondents, with 70 others, had been interviewed on March 11 and 12.



ELECTION 1992

Kinnock says NHS in mortal danger

By Michael Cassell

MR NEIL KINNOCK, Labour leader, last night painted the Conservatives as "tired and washed up" without any ambition for the future of Britain.

Speaking at a rally in Blackburn, Lancashire, on the penultimate day of campaigning, Mr Kinnock called on the electorate to vote to reject a government which he said had no plan to rescue Britain from recession and which was placing the NHS in "mortal danger".

The Labour leader said that, after 13 years in power, the government had proved beyond doubt that it had "no ambition to make Britain better and no conscience about making Britain worse".

With Labour anxious to ensure that supporters turn out in force tomorrow in what promises to be a close contest, Mr Kinnock urged voters to use their hard-earned right to choose between two parties offering starkly different options for the future.

Voters, he said, could choose between the Tory approach of letting the future take care of itself, with continuing recession and further privatisation, or Labour's proposals for economic recovery and modernisation.

He said that the government, in asking to be re-elected for the fourth time, was expecting the voters to forget two recessions, millions of unemployed people, thousands of bankruptcies and mounting home repossessions. He added: "They are asking the people to treat what they have done as a success. After all they have done, they simply do not deserve to be elected.

"These architects of recession, these engineers of run-down, cannot be called upon to build the future."

Mr Kinnock said ministers were "tired, washed up, like door-to-door salesmen, blue with cold, desperate to find a customer, unable to think of a new angle".

He accused the government of throwing away £100bn of oil revenues that could have rebuilt the country's schools, the National Health Service, and the transport system. Instead it had been given away in tax cuts.

Keeping the NHS at the forefront of the closing stages of the campaign, Mr Kinnock said it represented "part of the bedrock of Britain" and was the most practical expression of a civilised society. But he said the health service was in danger of being broken up under the Tories and voters had to choose at the polls to prevent it from being "split from top to bottom".

He added: "They are breaking it apart and in another five years they will all but have finished the job." Labour, he claimed, had policies for pulling Britain out of recession and building a recovery that would last.

Ashley Ashwood

Reaching the voters: Neil Kinnock greets supporters during his trip to key West Midlands constituencies yesterday

Leader gets rough ride on the phone

MR NEIL KINNOCK left an upbeat news conference on the National Health Service yesterday to find himself firmly contradicted on Labour's plans to halt GP fundholding and hospital trusts by NHS employees, Ivo Dawnay writes.

Two callers on the BBC's Election Call phone-in programme articulately rejected his prescriptions and insisted that Tory reforms were improving patient care.

After a campaign in which Mr Kinnock has rarely been wrong-footed by the press, he was again discomfited by a woman trade unionist from Bridgwater in Somerset.

Ms Yvonne Anthony had called to question Mr Kinnock on the impact of Labour's proposals for a minimum wage policy on pay differentials. She claimed that the direct consequence of the plan would be to provoke leapfrogging pay claims and the loss of jobs.

Mr Kinnock countered by asking his caller whether it was not true that fears of job losses as a consquence of equal-pay legislation had not come to fruition. "No, Mr Kinnock," she repiled, "I actually worked for a company at that time that made 25 per cent of its female workforce redundant."

Earlier, the Labour leader had no such difficulties when returning the NHS to the centre of the party's election campaign at its penultimate news conference, suitably attended by a group of hospital nurses.

Arguing that the future of the service lay at the "heart" of the general election, he said Labour was appealing to the electorate to give it a democratic mandate to save and develop the NHS.

Opinion polls predict defeat for Forsyth

AN OPINION poll last night suggested that Michael Forsyth, the controversial Scottish Office minister, is likely to lose his seat in Stirling, where he had a majority of 548 in 1987.

According to a System 3 survey for the Herald newspaper and Scottish Television, Labour's candidate Ms Kate Phillips is on 40 per cent (against 36 per cent in 1987), Conservatives 33 (38), Scottish National party 20 (11) and Liberal Democrats 7 (15).

In the 1987 election a constituency poll showing Mr Forsyth set to lose his seat galvanised his supporters into action, enabling him to win.

Pollsters interviewed 1,058 people on April 4, of whom 23 per cent were undecided or would not say how they would vote. This was said to be an unusually high level.

Alan Sugar launches personal attack

MR ALAN SUGAR, the chairman of Amstrad, yesterday questioned Mr Neil Kinnock's ability to govern.

Speaking at the Tory rally at Wembley Conference Centre, Mr Sugar urged all those who were thinking of voting Labour to "picture that grinning face" next to the likes of George Bush or Chancellor Kohl.

"He would be eaten alive. More to the point, Britain would be eaten alive," he said.

Polls suggest Labour is increasing lead in marginals

By Gareth Smyth

THE FIRST full week of the election campaign was dominated by the tax issue. Conservative strategists believed the March 10 Budget would reinforce their image as the "low tax" party.

Meanwhile Labour claimed that eight out of 10 families would benefit from the shadow Budget of Mr John Smith.

During that week, Financial Times reporters visited Davyhulme in Manchester, Birmingham Hall Green and Brentford & Isleworth in London – three socially typical Tory-held marginal seats in the regions where the election will be determined.

This week, they have returned to those constituencies to gauge the impact of the campaign upon the electorate.

The three regions – north-west England, the Midlands and London – contain 65 of the 94 Conservative-held seats that the Labour party probably needs to win to gain an overall majority at Westminster.

The regional breakdown of the opinion poll carried out last week for the Press Association by ICM with 10,000 voters – the largest sample used during the campaign – suggests that Labour will capture Birmingham Hall Green and is close to winning Brentford & Isleworth and Davyhulme.

A Gallup 9,000 poll, carried out between February 19 and March 17 as the campaign opened, gave the Labour party a 1 per cent national lead. The ICM poll for the Press Association poll finds Labour's lead up to 2.5 percentage points.

Labour seems to be picking up the extra support in the right places. The two polls found a broadly similar swing to Labour (6 per cent and 7 per cent) in London, but the ICM/Press Association poll suggests an increasing swing to Labour in both the Midlands and the north-west as the campaign has progressed.

Polls have shown tax far behind the National Health Service, education and the economy in terms of issues which are important to voters. However, Conservative managers insist that – regardless of what they tell the pollsters – electors will vote with their wallets once in the privacy of the booth.

The psephologists call this "pocket-book voting".

As the campaign draws to a close, Mr John Major, the prime minister, has returned to the theme of tax and insisted that only a Conservative government will end the recession. The polls still show a Conservative lead on "ability to manage the economy" and as the party under which people feel they will be best off financially.

How do voters respond in the crucial seats?

Schools and jobs will make the difference

By Richard Donkin

DRUIDS HEATH in Birmingham Hall Green is an election-poster desert. The campaign has had little impact on this 1960s estate of about 2,700 council houses and flats, where unemployment is about 30 per cent.

The implications of the tax proposals of Mr Norman Lamont and Mr John Smith mean little in this part of Birmingham, where fear of unemployment and the recession have dominated local concerns.

"People here have to think carefully about the financial consequences when they catch a bus into town," said Mr Ken Atkinson, treasurer of the neighbourhood development association. "The problem for Labour here is whether people in this part of the constituency will bother to vote at all. Many are beyond hoping that any system is going to benefit them."

Turning out for the vote is crucial if Ms Jane Slowey, the Labour candidate, is to achieve the swing of nearly 9 per cent needed to unseat Mr Andrew Hargreaves, the Tory defender.

The neat, owner-occupied semi-detached houses that comprise the majority of housing in Hall Green have returned a Conservative since the seat was formed in 1950, but it has never been safe.

The constituency exemplifies the working-class Tory vote that has been a tradition of skilled labour in Birmingham since the 19th century. Running through the workforce is a strong thread that upholds ideals of self-betterment and improvement through education. Perhaps because of that, the Conservatives have been able to capitalise on parental fears about Labour's education policy.

Baverstock School, next to Druids Heath, has made a success of opting for grant-maintained status and neither the headmaster nor the parents want it to return to the former system.

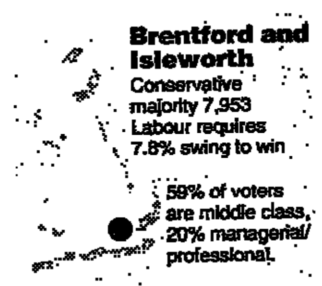
Ms Slowey has taken issue with the headmaster over his stance – but she was the one who faced heated questions from Baverstock parents at a meeting last week, and she may have seen some Labour votes desert her because of the row. In a seat which, because of national swings, is likely to be a close result, the loss of any votes by Labour might mean the difference between winning and losing.

An enthusiastic campaign run by the Liberal Democrat candidate, Mr David McGrath, may be a factor in the result. He claims that his party is taking votes from the Conservatives and holding on to votes it collected in the local elections last year, which made it the dominant party in one ward.

All the candidates agree that the issues have not changed here during the campaign. Tax was never very important. Fear of unemployment is a real concern, so is education, but come tomorrow the parties believe voting will largely reflect national intentions.

Concrete jungle keeps wavering

By David Owen



FROM ITS ill-lit walkways to its screeds of obscure graffiti, the Haverfield estate in London's Brentford is an archetypical concrete jungle.

It houses more than 1,000 traditional – but often disillusioned – Labour voters. The party's prospects of overturning the 7,953 Tory majority in Brentford and Isleworth may hang on whether these people can be bothered to vote.

Labour needs a 7.8 per cent swing to take the largely middle-class constituency, held for the Conservatives by Sir Barney Hayhoe since 1974. Recent polls showing a movement towards Labour of between 7 and 8 per cent in the capital suggest a close race.

Against Labour's candidate, Ms Ann Keen is the fact that much of the disillusionment on the estates is directed against the Labour-run council.

The relatively well-heeled may be put off by the party's tax proposals. But, as elsewhere, tax and economic affairs in general have apparently failed to grab the voters' imagination. As Mr Nirj Deva, the Conservative candidate admits: "The average voter is not particularly interested in economic matters."

This – and the spotlight on health as the contest's most important issue – may help Labour. All the more so as Mr Deva feels he has been hampered by "the silly campaign they have been running" on the subject from Central Office. The party's failure to get its message across has left voters "oblivious" to improvements in the NHS, he says.

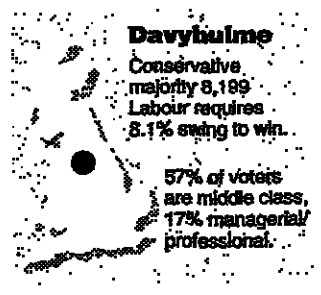
Sir Barney's retirement may also be beneficial to Labour. Mr Deva admits he has found the large number of public meetings "hard going", but felt it was important to be present to ensure he was well-known to constituents.

Labour has used canvass returns to target categories of voters with computer-printed letters. This has not been free from hitches: some floating voters have been irritated to be addressed as if they were Tory supporters.

Confronted by well-financed rivals, Liberal Democrat Ms Janet Salmon and her dozen or so doughty helpers have concentrated on describing their party's policies to constituents face-to-face. "We would certainly hope to do respectably," she says.

Churchill still digging for victory

By Roger Matthews



THE OWNER of the best introductory one-liner in British politics – "Hello, I'm Winston Churchill" – is in danger of losing his seat.

The grandson of Britain's wartime leader was still confident and wowing the respectful middle-aged in Sale shopping centre, Manchester, on Monday afternoon. But his relative lack of success among the young, some of whom responded with a pointed reversal of the Churchillian sign of victory, may indicate a wider malaise.

After 22 years, the Churchill grip on the Davyhulme constituency in Greater Manchester should be firm. Three weeks ago it looked as if it would be weakened, but not broken. Mr Churchill still says he detects no sign of the surge required to overturn his 8,199 majority.

This week, though, Mr Barry Brotherton for Labour and Dr Jackie Pearcey for the Liberal Democrats have begun to sound as if they believe Mr Churchill could be toppled.

The evidence is far from overwhelming. None of the parties will have carried out anything like a complete canvass by polling day. Because Davyhulme has not been considered marginal, the organisations of the three parties are less impressive than in other more tightly contested seats.

Mr Brotherton, a quietly-spoken engineer who has had to come to terms with pinstripe suits and buttonholes sprouting flowers, argues that if Labour is building on the last local council elections, a swing of much less than 8 per cent will give him the seat.

Dr Pearcey, a nuclear physicist trying to build on a 23 per cent share of the vote, talked three weeks ago of pushing Labour into third place. Ambition has bloomed and she now sees the possibility of relegating Mr Churchill to last place.

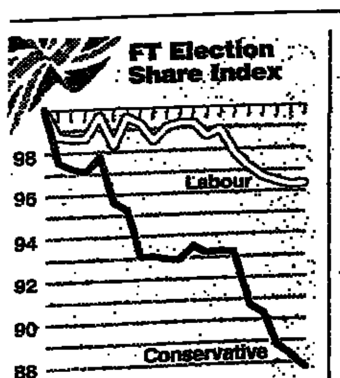
What seems to be happening is no more than a reflection of the past three weeks elsewhere in the north-west. Mr Churchill's hard core of support will not be eroded. The name and the Tory tradition in an area scarcely noted for radicalism are bound to keep him closely in contention.

Yet the Conservative vote is being nibbled away at the edges by abstentions, a few direct transfers to Labour, and by rather more who say they will vote Liberal Democrat. How far and how fast the process is moving are questions that have added much needed spice to the final days of a rather dour campaign.

All the candidates accept that a significant, perhaps substantial, number of voters will not make up their mind until the last minute.

Long-serving party workers say they cannot recall an election more difficult to predict or one where it has been as tough to assess what tactical-voting trends might emerge. And that, of course, will be the let-out for everyone who gets the result wrong.

FT Election Share Index



● Labour win/Conservative defeat stocks..........96.36 + 0.11
● Conservative win/ Labour defeat stocks.......97.85 - 0.41
● FT-SE (rebased)........95.32 + 0.13

THE PREVAILING trend of the campaign was again visible yesterday as shares that might benefit from a Labour win outperformed those that might gain from a Conservative victory.

Since the campaign started, "Tory gainers" have dropped more than 12 per cent – twice the fall in the FT-SE index of big-company shares. "Labour gainers" have fallen less than 4 per cent.

The index sections reflect views of which companies stand to gain and lose most from the result.

Colony looks on in sorrow

This may be the last British general election that matters much to Hong Kong, and the colony is disappointed. The virtual absence of Hong Kong as an election issue has bruised the collective ego.

The place is also worried that Britain will be ungovernable if there is a hung parliament and, more to the point, that the resulting deadlock could delay indefinitely the choice of a new governor.

Newspapers have jumped on the suggestion, from some Whitehall official, that Lord Wilson, the colony's recently ennobled governor, might stay on a bit longer than the newspapers first thought.

When not worrying about a hung parliament, Hong Kong wrings its hands over the prospect of a Labour government. It is worried about the impact on the stock market, about what a Labour victory would mean for UK-China relations and, most of all, about what a Labour win would mean for Hong Kong. Yet, as one diplomat pointed out yesterday, the joint declaration has been signed and the basic law promulgated. No election in Britain is going to change that.

End to ads

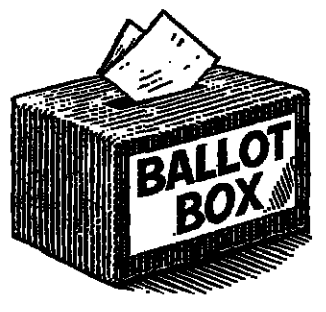
The 500 or so UK employees of Saatchi & Saatchi – the agency handling the Conservative party's election advertising – will receive an internal newsletter carrying a spoof ad advising them that a vote for Labour means a vote for job losses in their own industry – as Labour intends to ban tobacco advertising.

The ad shows two boxing gloves, one with "less ads", the other "less admen" printed on them, *à la* Saatchi's "double whammy" poster.

On the other hand, given the recriminations between Saatchi and Conservative Central Office over the party's poor showing in the opinion polls, it may be that the agency's Tory account is already as good as lost.

Tory scientist

A lone scientific voice has spoken up to defend the Conservatives against a barrage of attacks from researchers who say British science has declined since 1979.



Terence Kealey, a clinical biochemist at Cambridge University, says "all that criticism of Tory policy is unfair". He maintains that total support for university science grew during the 1980s because funding from non-government sources (industry, charities and private) doubled.

"I don't personally know anyone who agrees with me," Kealey admits cheerfully. But after writing to The Times, challenging the anti-Tory views of fellow scientists, he received several letters of support from "distinguished science-policy people".

Apart from Kealey, the only scientist that Conservative Central Office could name as a defender of government policy is Philip Treleaven, professor of computing at London University. He is also the Tory candidate in the London constituency of Southall.

Church divided

The Tories may be relieved to hear that there will be no eve-of-poll message to the nation from Lambeth Palace. Dr George Carey, the Archbishop of Canterbury, has decided, after some contemplation, to stay out of the election campaign. A radio broadcast a few weeks ago calling on politicians of all parties to show moral vision was enough.

The Church of Scotland, however, orders these things differently. It has just issued a report highly critical of Conservative economic and social policies – much to the annoyance of the Scottish secretary, Ian Lang, who has enough on his plate.

Beeb on top

One early election winner is likely to be the BBC, which is holding its lead over ITN in the news-programme ratings.

The average Barb figures for the first two full weeks of the campaign put the audience for the Nine O'Clock News at 6.2m, against 5.7m for News at Ten. In the second week, however, News at Ten closed the gap and took a whisker of a lead – 6.1m against the BBC's 6m – although that would probably have to be called a dead heat under BBC rules for dealing with relatively small samples.

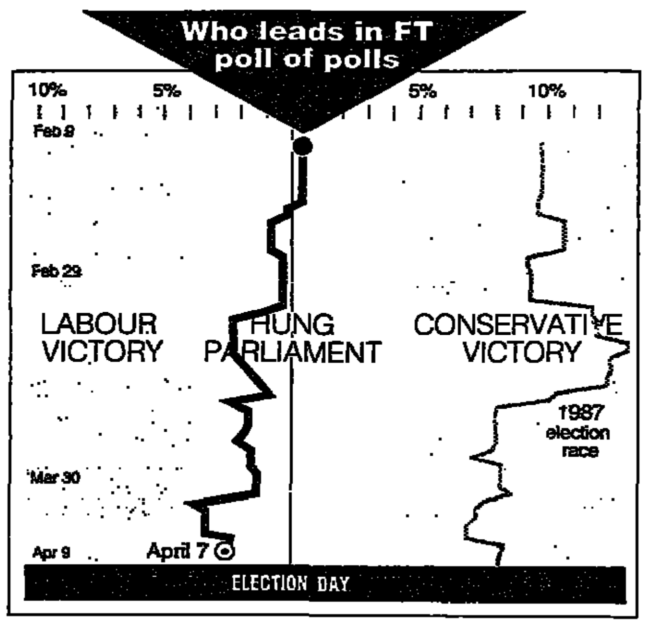
The BBC's One O'Clock News and Six O'Clock News maintained their large lead over ITN equivalents: 4.2m against 2.7m at lunch and 7.5m to 6.4m in the early evening in the second week. Newsnight and Channel 4 News continue to slug it out with Newsnight on 1m to C4's 900,000.

Overall audiences for news programmes were up on the same period last year, but if you want a sense of perspective Coronation Street and EastEnders are still pulling in 19.63m and 15.69m respectively.

Curtains up

The spirits of some of Labour's infantry out knocking on London doors yesterday were lifted by rumours that the Kinnocks had been invited to No 10 to measure up the curtains. The rumours spread fast enough to produce a summary denial from Downing Street. "There will be plenty of time for that should the eventuality come to pass," said a press officer.

Who leads in FT poll of polls



Last night's FT forecast		Latest opinion poll	Betting odds	Futures trading
Conservative	294 seats	37%	3/1	281
Labour	318 seats	40%	1/5	309
Liberal/Dem	22 seats	20%	400/1	26
		(MORI/ Channel 4) Field date April 6,7	Ladbrokes (for most seats)	Dealing on the number of seats (IG index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last campaign. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

ELECTION 1992

James Buxton on Scotland's changing political landscape after 13 years of minority rule

Bridging the credibility gap

THE QUESTION to Mr Ian Lang, the Scottish secretary, was cruel. "What credibility," a woman asked him in a live TV debate on Monday, "does your party still have in Scotland?"

Mr Lang, visibly exhausted, dispirited and tetchy after weeks of often unrewarding campaigning around Scotland, sidestepped the question. But it was highly relevant.

The Tories do not have much credibility left. After 13 years of minority rule in Scotland with a dwindling number of seats, they face further humiliation on Thursday, with Mr Lang forecast to lose his own seat of Galloway & Upper Nithsdale. The question is how many of their nine seats (out of 72 Scots constituencies) they will still hold if electors vote tactically to get them out.

By contrast Mr Donald Dewar, the habitually anxious shadow Scottish secretary, has been smiling as never before. He fully expects to fulfil his lifetime's ambition and walk into the Scottish Office in Edinburgh by the end of the week. He has already been briefed on what to expect from Sir Russell Hillhouse, the permanent secretary there.

But the impish grin on the face of Mr Alex Salmond, leader of the Scottish National party, suggests that he too has a lot to be satisfied about. Mr Malcolm Bruce of the Liberal Democrats often looks smug too.

The Press Association opinion poll and the latest System 3 poll for the Glasgow Herald produced a virtually identical result for Scotland, putting Labour at between 40 per cent and 41 per cent (down a little compared with some previous findings), the SNP on 25 per cent (also down a couple of points), the Tories virtually unchanged on 21 per cent and the Liberal Democrats up from recent lows at between 12 per cent and 13 per cent.

SYSTEM 3 OPINION POLLS IN SCOTLAND

	Now %	Mar %	Feb %	Jan %	% of vote in 87	No of seats won
Labour	41	44	38	38	42	50
SNP	24	26	28	26	14	3
Cons	21	22	22	23	24	10
Lib Dems	13	7	10	11	19	9
Greens	1	1	1	2	0	0

Source - The Herald

That suggests two things: first, Labour stands to win about 50 seats, the same number as in 1987. There are very few more it can reasonably expect to win and its MPs in the central belt are usually protected by massive majorities.

Secondly, in marginal or near marginal seats around the edges of the Labour heartland the SNP, Tories, Liberal Democrats and sometimes Labour are scrapping in a four-party contest which under the first-past-the-post system makes predicting the winner with certainty impossible.

The campaign in Scotland has often been as bleak as the wintry weather in which it has been conducted. Although there has been the uniquely Scottish issue of the country's constitutional future, the positions of the parties had been chiselled in granite before the campaign began. The SNP has set the pace, provoking the other parties into attacks on its two-headed manifesto of seeking a mandate for independence and presenting the left-wing policies it would implement if it won power after new Scottish elections.

Its support has doubled since 1987 and it poses the greatest threat to Labour, many of whose supporters give it as their second choice. It is easily the most popular party among young people – especially those who parents vote Labour – because it is fresh and iconoclastic, while Labour seems the party of the establishment.

Yet it does not seem to have convinced enough people. Support in the opinion polls for independence is at its usual level of around 35 per cent (against 45 per cent for devolution) and not all supporters of independence will vote SNP.

It is a myth that there are hardly any Conservatives left in Scotland. There are plenty in traditional Tory areas such as parts of Edinburgh and some rural areas. But in safe Labour-held seats, far fewer Tories than normal have been prepared to go out canvassing. All are disheartened by the lack of direction from Mr John Major and frustrated at Mr Lang's inability to score sharp political points.

Their pitch is essentially negative. Scotland now has lower unemployment than the rest of the UK for the first time ever and a much milder recession – but few Scots believe it. The Tories' main theme, that the constitutional status quo is best, has been upheld in heartfelt speeches by Mr Douglas Hurd, but this has probably done no more than cement the party's existing unionist support.

The Conservatives' arguments about the risks of devolution for Scotland's standing in the UK are sound but technical: the majority of Scots do not see why they shouldn't have a Scottish parliament of some sort and resent being told it wouldn't be good for them. Mr Major's pleas on the subject this week embarrassed many Scots Tories.

Labour has conducted an efficient, low-key campaign concentrating on its best issues like health, education and employment. It has emphasised that all will be better with its devolved parliament, but not spelt out details of how it will work, to avoid presenting a target for its opponents. The Liberal Democrats have used visits by Mr Paddy Ashdown to target rural constituencies where their sitting MPs often have a strong personal following.

The SNP are likely, along with the Tories, to be victims of the first-past-the-post system. Although polls have put their support as high as 31 per cent, they are unlikely to add more than half a dozen seats to their existing four. However they have tended to win more votes than opinion polls suggest.

They should score in three Tory rural seats: Mr Lang's Galloway, Sir Nicholas Fairbairn's Perth and Kinross, and Mr Bill Walker's Tayside North. They may also take Argyll & Bute from the Liberal Democrats, and could take Dundee East and the Western Isles from Labour.

But, barring an enormous last minute swing, the great prize of serious advances into Labour seats in the central belt will elude them. Even Govan, their only central-belt seat, is finely balanced. They have good hopes in Kilmarnock & Loudon, but Labour's majority there is 14,000.

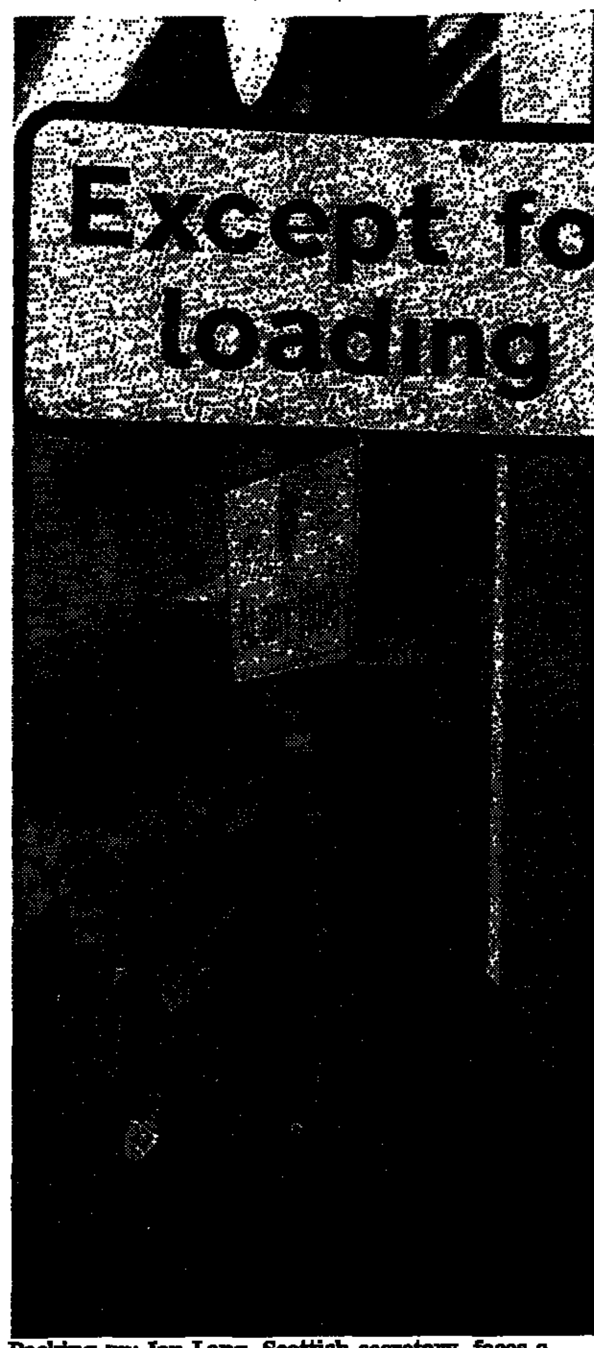
Labour should take Ayr, Mr George Younger's former seat. Whether it captures Stirling, where Mr Michael Forsyth, the Thatcherite Scottish Office minister has a majority of only 548, depends crucially on how the anti-Tory vote splits.

If Stirling goes, the Tories would be down to four seats. That assumes Mr Malcolm Rifkind, the transport secretary, keeps Edinburgh Pentlands and that Lord James Douglas-Hamilton holds Edinburgh West against the Liberal Democrats. Mr Allan Stewart is expected to hold Eastwood (a rich dormitory area for Glasgow) and Sir Hector Monro, the Scottish Tory with the biggest majority, Dumfries.

The late upturn for the Liberal Democrats in the opinion polls makes them less likely to lose Sir Russell Johnston's Inverness Nair & Lochaber seat to Labour, and to hand back Menzies Campbell's seat in Fife North-East to the Conservatives. Equally Tory chances of avenging November's by-election humiliation at the hands of the Liberal Democrats in Kincardine and Deeside may be more remote.

Friday therefore looks like yet another black day for the Scottish Conservatives and a day of frustration for the SNP. The Liberal Democrats could come out relatively unscathed.

Labour may be lucky to make a net gain of more than a seat or two. Yet it should have come into its inheritance.



Packing up: Ian Lang, Scottish secretary, faces a strong SNP challenge in Galloway & Upper Nithsdale

Lilley hears a few home truths

MR JOHN LLOYD, managing director of Betterware, one of Britain's fastest growing companies, was in full flow.

Statistics on every detail of the meteoric rise of the Sutton Coldfield group, which sells home products door-to-door, flowed over a quietly admiring Mr Peter Lilley, the trade and industry secretary. It was an ideal example for the Tory case for a free-market, low-taxation, non-interventionist industrial strategy.

Mr Lloyd and a team of managers bought the then ailing Betterware, for £250,000 in 1985, and transformed it into a business with a market capitalisation of more than £100m.

This was the kind of inspirational success story Mr Lilley needed to hear as he went forth to warn business of the grave risks of turning their backs on Conservative policies to lift burdens from business, cut taxes to motivate managers and crush union power.

So, what would be the best thing the next government could do for a business such as Betterware, someone asked.

Mr Lloyd shot back: "Bring in higher capital allowances to help us with investment."

Mr Lilley was silent. Mr Lloyd had endorsed Labour's main policy to help industry.

It was a similar story wherever Mr Lilley went that day. Business leaders displayed unswerving support for the Conservatives as the party of enterprise. But on specific measures to combat the recession they invariably found merit in Labour's approach.

At IPW, a manufacturer of heat-treatment equipment next door to Betterware, the managing director told Mr Lilley it was prospering by getting into specialist markets.

But the sales director remarked: "The most important thing a new government could do is to deal with the short termism of the banks."

Over afternoon tea with a group of Tory business supporters Mr Lilley got off to a good start. Yet after accepting some open invitations to attack Labour links with the unions and its tax plans the going got tougher.

Mr David Smith, who provides small businesses with advertising services, said: "There is a terribly jittery feeling, whenever the phone rings, that it is someone else going down the tube."

Mr Lilley's reply was limp. There were no policy responses, just a recitation of the statistic that a lot of businesses were being created in spite of the recession.

A builder chipped in: "The problem is that asset values have fallen so banks will not accept property as collateral for businesses. The banking system has a stranglehold on investment. The government had to find a way of opening up funds for investment." The proposal fell on stony ground.

Mr Charles McEwan, a Conservative district councillor, recommended the government steal some of Labour's clothes by allowing councils to use receipts from council-house sales to start a building programme to stimulate the construction sector.

As Mr Lilley sped off to an evening business forum, his tour was yielding an inescapable conclusion: business executives instinctively trust the Tories and want a Tory government for their personal pockets. But in the short term they recognise, perhaps unwillingly, that Labour's policies could bring more benefits to their companies.

Charles Leadbeater

Labour seeks to mine a rich seam in Notts

The coal industry's future is the key issue, writes **Richard Donkin**

THE grey-green slag heaps on either side of the M42 between Birmingham and Nottingham defy the best technologies in environmental improvement and soil recovery. The rounded humps and their threadbare carpet of grass are all that remains of north Staffordshire's mining industry.

To the east are Nottinghamshire's 12 remaining pits and the headquarters of the union that sealed the fate of Britain's last great union battle. The stance taken by the Union of Democratic Mineworkers, which broke away from the National Union of Mineworkers in defiance of Mr Arthur Scargill's strike-call in 1984, caused bitter divisions in the mining communities. Eight years on, a much slimmer industry is fighting for its future.

The mining card should help ensure that Labour extends its tiny majority in Mansfield and could bring it success in neighbouring Sherwood, a seat that covers a cluster of mining villages north of Nottingham.

Almost everyone in the Sherwood villages, it seems, is a miner or former miner. Every broad hand holds a record of social history among the faded callouses.

In many parts of this Tory marginal, however, candidates are just as likely to find that the strong handshake is that of a farmer. The rich coal seams underground give way to the ploughshare on the surface in an agricultural landscape dotted with modern pitheads.

Mr Andy Stewart, the popular sitting Tory MP and a local farmer, put in some astute groundwork in touring the pits earlier this year. He faced tough questioning from mineworkers and managers, worried that imported coal or gas-fired power stations, or both, would kill what was left of their industry.

He earned much respect, but whether he earned their votes is another question. "Some miners must have voted Conservative at the last election, but it's difficult working out who they were," says Mr Peter Short, the UDM branch secretary at Bilsthorpe colliery and a Labour party worker.

Over at Rainworth Miners' Welfare Club, Mr Brian Vout, UDM secretary at nearby Rufford pit, agrees, but blames Labour's failure to recognise the UDM for many of the party's lost votes in north Nottinghamshire at the 1987 general election.

Two of the UDM's four full-time officials, Mr Neil Greatrex and Mr Mick Stephens, are committed Labour supporters. Mr Greatrex says he has a promise from Mr Frank Dobson, Labour's energy spokesman, that a Labour government would not restrict the union's rights to represent miners.

Dissatisfaction with Labour remains, but it is difficult to gauge its depth. Mr Vout applauds Mr Stewart's pit visits and criticises the failure of Mr Paddy Tipping, the Labour candidate, to do the same at Rufford. "I haven't seen Tipping here," he says. "I always vote Labour, of course, but I would appreciate listening to what the man has to say."

Conversation with miners inevitably drifts towards the price of coal and the willingness of the electricity generating industry to use it.

Mr Stewart has rehearsed his election spiel, celebrating the rejection of a coal import terminal at Immingham on the River Humber and pointing to recent pronouncements by Mr John Wakeham, the energy secretary, that gas should not be used for electricity generation where it is more expensive than coal.

Mr Stewart points out that only 6,500 of his constituents work in the mines. Some 8,000 others are retired miners with different problems that he argues would be better served by a Conservative government.

But the Labour tradition runs deep, supporting the belief that Mr Stewart's increased majority in 1987 was due to resentment towards Labour in the aftermath of the strike.

Life without mining became a reality for Mr Tony Calladine, who left Bilsthorpe because of ill-health just after the 1985 strike. He set up a business restoring and servicing veteran motorcycles. It has branched out in to polishing and chroming car engines displayed at motor shows.

Eight years of enterprise culture have not changed his voting patterns, however. "I have always voted Labour. I just think they are a better party."

Come polling day, the closet Tories may re-emerge.

Mr Stewart knows he commands a healthy personal vote, but in the end it may not be enough.

Going may prove too heavy for Patten

Michael Thompson-Noel sees how the odds stack up for the better-known runners

TORY party chairman Chris Patten drifting in the betting like a drug-nobbled Derby runner.

Movie queen Glenda Jackson turning in the performance of a lifetime.

And Olympic gold medallist Sebastian Coe staggering badly in the finishing straight.

These are three of the snapshots provided by bookmaker William Hill's list of celebrity election odds, covering 100 constituencies in which the tumult of tomorrow's UK election battle is proving most raucous.

In Bath, puffy-eyed Chris Patten started the campaign a solid favourite at 1-3 (stake three to win one plus your stake back). But in concert with the Tories' waning electoral fortunes, the Conservative chairman's odds have skidded embarrassingly to 6-5.

In contrast, actress Glenda Jackson, Labour's virgin-queen candidate in Hampstead and Highgate, has been promoted from 1-3 to a regal – and unbackable – 1-9.

This did not stop one of Hill's client in Southend supporting the Oscar winner with a bet of £10,000 – plus £1,000 in betting tax – to win a paltry £325, described by Hill as one of the most baffling election bets ever struck. Because of the dire effect of betting tax, the true odds on this bet are a fraction under 1-34.

In Falmouth and Camborne, the Tories' Sebastian Coe started the race at 1-4, but has wobbled so alarmingly that he is now rated only a 6-4 chance.

In general, Hill's 100 celebrity seats contain a preponderance of high-betting marginals in which Tory candidates – especially incumbents – are under fire. Although bookmakers' odds are by no means infallible, they dramatise the struggle for survival facing a number of Tory stars.

Transport secretary Malcolm Rifkind could be hurtling off the rails. Tiny Colin Moynihan, the former sports minister, may be taking a very early bath. Sir Nicholas Fairbairn is deep in trouble. John Taylor, the Tories' black candidate in Cheltenham, the snooty spa town, has drifted from 6-4 to 9-4. The odds against Anthony Beaumont-Dark have almost tripled, to 3-1. And even in blue-rinsed Kensington, Dudley Fishburn's odds have eased, though last night he was still the 5-6 favourite.

All told, bookmakers expect an election turnover of £6m nationally, with a flurry of heavy bets today and tomorrow. In recent days the odds have stabilised, and now point firmly to a hung parliament.

Hill's latest odds show Labour favourite to win most seats, at 1-4, with the Tories 5-2 and the Liberal Democrats 200-1. It is quoting 4-6 on a hung parliament, and 11-8 against Labour winning an overall majority.

In Putney Keith Hagenbach, candidate for the Green party, has invested £250 on himself at 100-1 to poll 6.2 per cent of the vote, which would be a record for the Greens.

There has even been a flicker of interest in the Natural Law Party.

William Hills' Graham Sharpe said last night: "We have taken nearly £20 on Natural Law to win most seats at 50,000-1. We have no plans to trim their odds."

Celebrity chairs

Chris Patten	Conservative	Bath	Was: 1-3	Now: 6-5
Glenda Jackson	Labour	Hampstead & Highgate	Was: 1-3	Now: 1-9
Sebastian Coe	Conservative	Falmouth & Camborne	Was: 1-4	Now: 6-4
John Taylor	Conservative	Cheltenham	Was: 6-4	Now: 9-4
Anthony Beaumont-Dark	Conservative	Birmingham Selly Oak	Was: 5-4	Now: 3-1
Malcolm Rifkind	Conservative	Edinburgh Pentlands	Was: 8-11	Now: 10-11
Rosie Barnes	SDP	Greenwich	Was: 3-1	Now: 5-2
Jim Sillars	SNP	Glasgow Govan	Was: 11-8	Now: 5-6
Simon Hughes	Liberal Democrat	Southwark & Bermondsey	Was: 8-11	Now: 2-7
Sir Nicholas Fairbairn	Conservative	Perth & Kinross	Was: 6-4	Now: 2-1
Michael Forsyth	Conservative	Stirling	Was: 9-4	Now: 7-4
Angela Rumbold	Conservative	Mitcham & Morden	Was: 1-2	Now: 5-6
Colin Moynihan	Conservative	Lewisham East	Was: 11-8	Now: 3-1
Dudley Fishburn	Conservative	Kensington	Was: 1-3	Now: 5-6
Alf Dubs	Labour	Battersea	Was: 11-6	Now: 8-11
Richard Livsey	Liberal Democrat	Brecon & Radnor	Was: 7-4	Now: 8-11

Source: William Hill

View from: Wall Street

Distance helps to put rhetoric in perspective

THE possibility of an outright Labour victory may have rattled the London stock market last week, but Wall Street seems to be taking a more sanguine, though not completely untroubled, view.

Some US fund managers argue that if British share prices fall much further, the market may even present interesting buying opportunities.

"We are reaching the kind of risk/reward levels where it might reward one to be slightly more in than slightly more out," says Mr John Hickling, who runs a fund specialising in Europe at Fidelity, a US investment management group.

Why such sang-froid? It is partly because any US fund manager with a degree of foresight is likely to have lightened his UK position many months ago in anticipation of political uncertainty. Mr Hickling, for example, has been "underweight" in the UK for the past six months – in other words, he has reduced his British holdings relative to those in continental countries.

But it also stems from the perspective on British affairs granted by a distance of 3,000 miles: US fund managers tend to view Europe as a single entity, and having lived for years with socialist government in France, the possibility of one in Britain does not hold too many horrors.

Indeed, the bulk of analysts' reports sent home from the London offices of Wall Street houses over recent weeks have stressed how much Tory and Labour economic policies have in common, notably in the areas of exchange rates and the fiscal deficit.

"Despite the rhetoric, there is little difference between the macro-economic policies of the two main parties," said a Merrill Lynch circular. "Evidence of the past 25 years suggests there is little to choose between Labour and Conservatives either in terms of their economic record or of their impact on the equity market."

Similarly, Salomon Brothers maintained that: "A change of government, either to a Labour majority or to a minority administration, would not significantly change near-term economic growth prospects, because neither the Conservatives nor the Labour party is offering a break from the tight monetary and moderately loose fiscal policies of the past year."

That is not to say that US fund managers would not prefer a Tory victory. In the short-term, many expect a further sharp drop in share prices, possibly accompanied by a sterling crisis, if Labour wins or there is a hung parliament.

Many are also suspicious about how much Labour really has modified its socialist agenda, and – a crucial issue for foreign investors – the party's commitment to maintaining sterling at its present level within the European monetary system.

"At this point I think we can only assume Mr Kinnock will stick to his word," says Fidelity's Mr Hickling. "But I could envision him getting in and saying 'now we've looked at the books and it's different.'"

However, relatively few on Wall Street have a keen interest in the outcome of the election, because few of them have a sizeable direct financial stake in the country.

For most Americans, investing abroad remains slightly exotic, and they are far more concerned about prospects for US recovery and the Democratic party primary election in New York state. Elsewhere, their anxieties are focused on the slide of the Tokyo stock market and its possible repercussions at home.

At the same time, some Wall Streeters wonder whether the British election might be providing straws in the wind to some broader political and financial forces.

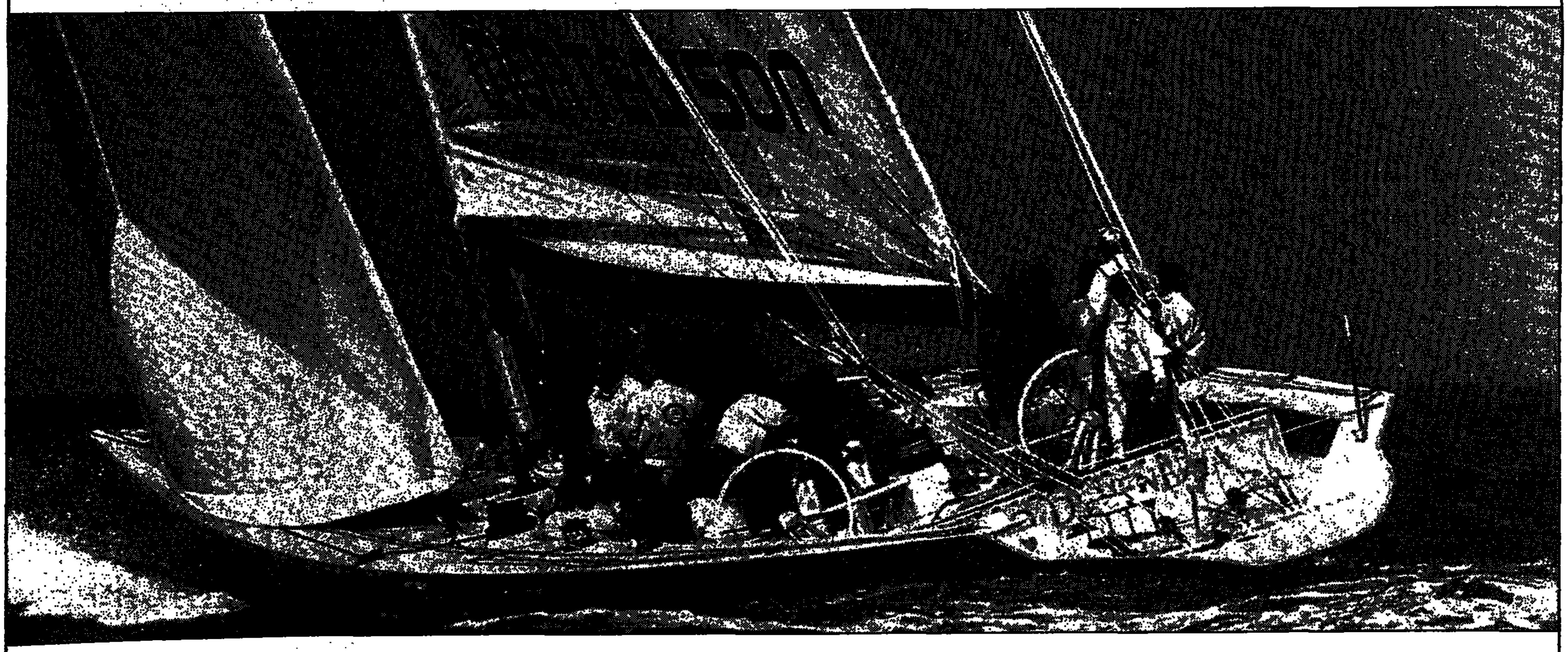
Mr Donald Coxe, chief economist at institutional trader Gordon Capital, says his clients have been wondering whether Labour's new strength is indicative of a general swing to the left which could be reflected in this year's US presidential election.

He also notes that there has been an "almost mystic convergence" between the Standard & Poor's 500 index of leading US stocks and the FT-SE 100 index over the past two years. However, London's sharp drop during the past few weeks has broken this parallel movement.

Does this represent a parting of the ways, possibly temporary, or just might the British election be sending advance warning of bearish times ahead on Wall Street?

Martin Dickson

We WON OUR CUP *when* THE *boat* TOUCHED *WATER.*



At Montedison, we admit we're pretty proud of our new boat. You see, we conceived the Moro di Venezia entirely in the lab. No one had ever done that before. Our Tencara shipyard made her hull and keel. SP Systems supplied the advanced composite materials and dealt with the structural engineering studies. Nuova Texindustria created the material for the revolutionary sails. ACX built the mast. The Montedison Group of Companies, working together, have launched a great technological and industrial challenge – and not only with our new boat in the America's Cup. Thanks to the commitment, imagination and spirit of our employees. Montedison is the world leader in advanced materials. Montedison is forging ahead in our race to be first. We wish the same success to the crew of the Moro di Venezia.

MONTEDISON

WORLD LEADER IN ADVANCED MATERIALS.

Trade surplus in drugs rises by 66%

By Paul Abrahams

THE UK's pharmaceutical industry increased its trade surplus with the rest of the world in January by 66 per cent compared with the same month last year, according to figures released yesterday by the Association of the British Pharmaceutical Industry (ABPI).

The association said the increase, from £70.2m to £116.6m, was the largest rise in 20 years. Exports increased 33 per cent to £231.4m, while imports grew by 10 per cent to £114.8m.

During January, exports of medicines to the US increased by 100 per cent to £34.3m. Sales to Germany rose 51 per cent to £24.7m, while those to Italy gained 60 per cent to £20.4m and those to Japan grew 16 per cent to £16.3m.

Mr Peter Lumley said the 100 per cent increase in sales to the US could not be attributed to any one product. However, he pointed out that Glaxo, Wellcome and SmithKline Beecham all had successful medicines in that market.

Last year the British pharmaceuticals industry contributed a record trade surplus of more than £1.18bn to the UK's economy, according to the ABPI.

Merger plan will create Britain's largest union

By Michael Smith, Labour Correspondent

LEADERS of three labour groups will today put the finishing touches to a plan which will create Britain's largest, and potentially most influential, union.

On the eve of an election in which the Conservative party has tried to win votes over the issue of trade union power, three unions – Nalgo, Nupe and Cohse – announced yesterday that their executives had agreed to the proposals for a 1.4m-strong public sector union called Unison.

It will link workers in local government, health care, further and higher education, gas, electricity, water, transport and the voluntary sector. Each group will have its own identity in the union.

Yesterday's agreement means members are likely to accept the plans later this year.

Employers believe Unison will give workers in sectors including local government and the health service greater power in collective bargaining.

In the final two days of the election, the Conservative party may seek to make capital by claiming the new union would exercise a strong influence on a Labour government.

Although Unison would not be formed until July next year, it is likely that the three unions will seek to co-ordinate their policies on a range of controversial issues, including public sector pay.

Labour has said it will seek fairer and more rational ways of determining public sector pay and halt the deterioration of pay and conditions for many public sector workers.

The merger plans open up the possibility that more members will affiliate to the Labour party through the union. Although Nupe and Cohse are affiliated to the party, Nalgo is not. The proposals would mean that, after 1995, members of all three unions would be able to contribute to a general political fund or a fund used for Labour party affiliations, or neither.

Other proposals would mean that at least 44 of Unison's 67 executive seats would be occupied by women after 1995. More than two thirds of the unions' members are women.

Labour puts equality on EC agenda

By Diane Summers, Labour Staff

IF Britain's opposition Labour party wins Thursday's general election it will put sex equality issues at the top of the social and employment agenda for the UK's six-month presidency of the European Commission, which starts in July, according to Mr Tony Blair, the party's employment spokesman.

Mr Blair said Labour is committed to a Sex Equality Act combining sex discrimination and equal pay laws and introducing a right to equal treatment.

Labour is committed to reversing the government's "opt-out" from EC employment legislation at the Maastricht summit.

Mr John Edmonds, leader of the GMB general union, said women, who make up most of the part-time workforce, most needed further legal protection at work. In equality cases before industrial tribunals, employers would have to show that they were not discriminating, reversing the burden of proof.

Labour proposes to give part-time workers the same employment rights and, pro rata, the same pay as full-time workers. Part time workers currently enjoy employment protection rights after five years, compared with two years for full-time workers, and get reduced pension, redundancy and maternity benefits.

Tony Blair: sex equality will get greater emphasis in the EC if Labour wins election

Employers warn that equal rights, and especially equal pay, for part-timers might could dramatically reduce the number of part-time jobs on offer and thus severely restrict female employment.

Meanwhile, an independent research body has criticised Britain's past record in the EC in an unpublished assessment of the impact on social policy suring the 1986 UK presidency new report yesterday.

UK attempts to impose Thatcherite employment policies on the European Community in 1986 was never expected to achieve more than short-term political success and the government knew the Brussels bureaucracy would block it, according to the National Institute for Economic and Social Research.

The assessment implies that the UK's action programme for employment growth created a backlash and led indirectly to the Social Charter, which the Conservatives oppose.

In a seminar with Department of Employment officials to discuss the report, the UK's case was seen as a textbook example of how the European Commission neutralises proposals it opposes without being to seen to do so.

Nissan raises stake in UK design centre

By Kevin Done

NISSAN Motor, the Japanese car maker, is to invest £20m to expand its vehicle design and development facilities in the UK, bringing its total investment in such operations in Europe to £64m, the company announced yesterday.

Mr Yutaka Kume, Nissan's president, said the company also hoped to expand its car production capacity in the UK to 400,000 cars a year by the end of the 1990s.

Officially Nissan has only revealed plans to date for raising its UK car production capacity to 300,000 cars a year by 1993, but Mr Kume's statement confirms UK government hopes that the Japanese car maker is likely to further expand its UK production before the end of the decade.

Mr Kume announced that the company was increasing its investment at the Nissan European Technology Centre (NETC) at Cranfield, Bedfordshire, to £46m. The first stage of the operation was officially opened yesterday.

In total Nissan is investing £64m in its European design and development operations with £5m spent at Sunderland on a vehicle proving ground and £13m being invested at NETC Brussels.

Britain in brief

Virani wins bail in BCCI fraud case

Mr Nazmu Virani, former chairman and chief executive of the property and pubs group Control Securities, who is charged with fraud in connection with the collapsed Bank of Credit and Commerce International (BCCI), has been freed on £1.25m bail yesterday after his lawyers clashed with magistrates over bail sureties.

Mr Virani, who is accused of a false accounting conspiracy, had been in custody since being refused bail on his first court appearance on March 30.

He was remanded on conditional bail until July 7.

Office space left vacant

The city of London could be left with 5m sq ft of virtually unlettable offices by 1995, representing more space than Canary Wharf – the largest new office development in Europe – according to a leading property consultancy.

The report by Herring Baker Harris Research says vacancy rates in the City are expected to stay at a record level of around 20 per cent until the end of 1992. It will then gradually decline to around 14 per cent at the end of 1995, the report says.

The levels of empty property in the City, which has sparked a steep decline in rents and capital values, results from a combination of the recession and the surge of new developments at the end of the last decade.

Labour plans audit reform

The opposition Labour party proposes to remove the self-regulatory powers over auditors held by the professional accountancy institutes if it comes to power.

In an apparent toughening of her previous position, Ms Marjorie Mowlem, Labour city affairs spokeswoman, said the party planned to transfer auditing regulation to an independent body, such as the Accounting Standards Board. "We think the case is very strong for independence," she said.

Signs of upturn remain elusive

The UK government's cyclical indicators of economic activity still contain no clear sign of recovery, according to a report from the Central Statistical Office.

The CSO's longer leading index, which is the most up-to-date of the cyclical indicators and supposed to lead developments in the business cycle by an average of 10 months, edged downwards for the fourth successive month to 103.4 in February from 103.5 in January. It had earlier risen between May 1990 and October 1991.

Retailers see sales rise

Confirmation of an improving trend in retail sales came yesterday from Tesco, the supermarket group, and Next, the fashion retailer. In announcing their annual results, both said sales had been picking up. The trend of more confident trading statements from retailers could continue as most companies in the sector report results in the next few weeks.

Government statistics had shown a slight rise in retail sales in the first two months of the year. Sir Ian MacLaurin, chairman of Tesco, said "from our point of view recession is clearly moving away now."

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O&Y seek new tube deadline

Olympia & York, the property developers are pushing for a new timescale on the payments due on the extension of the Jubilee underground line to London's docklands, although it apparently remains committed to paying its full contribution to the project.

It has emerged that talks between legal representatives of O&Y and London Transport aimed at finalising an agreement on the project have been continuing in recent days but without any firm result.

O&Y was originally expected to be in a position to pay the first installment of £40m to the project on March 31 but was unable to do so.

The Department of Transport, however, has said that if the agreement with O&Y about its contribution is not concluded before Thursday's election, the first payment will fall due on the day the agreement is signed. The timing of payments now appears to be a subject of some debate involving the two main parties concerned.

Mobile telecom system revived

Telepoint, the mobile communication system which appeared to have died a death with the termination of BT's Phonepoint service last October, has been revived by Hutchison Personal Communications which is to launch a telepoint service in late June.

HPC, a division of Hutchison Telecommunications UK, the subsidiary of Hutchison Whampoa, the Hong Kong based multinational group, said that it would launch its telepoint network, called Rabbit, from June 29.

Telepoint was launched in 1989 as a portable telephone service that was lighter, cheaper and more reliable than cellular phones. The system is based on a network of base stations installed in public places.

Trapped coal miners rescued

Eight miners trapped underground for 15 hours at a North Yorkshire pit have been rescued from a blocked tunnel at British Coal's Stillingfleet colliery. The men were led to safety after rescue workers burrowed through a 2 foot hole to reach the men. None of the men was injured. British Coal will hold an inquiry but would not speculate on the likely cause of the accident.

Russian reformers use their loaf

John Lloyd explains the role of the humble plastic bag

The renewal of the former Soviet Union suggests vast projects, grand plans, the disbursement of fortunes. Actually, two small tables with two little piles of plastic bags are what it can come down to.

They stand at the end of a production line in Moscow's Vikhino bread factory: 30 times a minute, two women pick up a baton of the standard white bread, slip open a bag, put in the bread, and fasten it with a tab dispensed from a spring-loaded magazine. Low-tech with high hopes for large returns.

Reforming the Soviet Union may as well start with bread since a high value is placed on its uninterrupted arrival in the shops. In spite of hectic warnings throughout the winter about food shortages, the problem has not been a lack of the basic ingredients, especially grain, which has been bought on credits from Canada and the US.

Much more worrying is the equipment in the factories – some of it pre-1939 and needing constant attention, with no funds available for wholesale replacement.

Moscow's bread industry is a simple one. Five mills deliver flour to 24 bread factories and 38 bakeries: they in turn produce an average of 2,400 tonnes of bread a day for 1,420 ordinary and specialist bread shops. Consumption is lower, however, because there is a lot of waste, although the average person still eats 131 kg a year, some 14 kg a year higher than the Ministry of Health recommends as healthy.

The factories turn out a range of bread: the standard white batons like small French loaves: a chewy brown loaf; a range of special breads; and cakes and pastries. In Vikhino, the machinery is relatively modern, but the factory rather dirty. While I was there, one bread line was out of action, with some 20 engineers ripping it apart for overhaul.

In the loading bay, trucks with "Khleb" (bread) stencilled on their peeling sides line up for loading: there are three bays, though only one is in use, the others being blocked with broken down equipment.

In the factory itself, there is the impression, common to all post-Soviet plants, of a great many people doing not very much. A woman by one production line was tending a little pot on a fire beneath one of the ovens which contained her lunch. A pile of plastic screens – originally put up to separate out the manufacturing processes – lie in one corner, with much of the plastic ripped away, stolen by the workers.

Of 1,000 workers, less than 100 are employed on the production line: the rest work behind stained doors with titles like "legal department" and "economic department".

On the breadline in Moscow: a high price is placed on the uninterrupted arrival of bread in the shops

In one office stand two telephones which are staffed between seven in the morning and three in the afternoon. During that time, they ring constantly as managers from the bread shops file their daily orders.

Any shop which does not get through during these hours, or calls after them – a common occurrence – does not get its daily bread. There is no such thing as standard ordering patterns.

The Moscow Bread Company was aware of its problems: in October last year, Andersen Consulting started to examine the production and supply system, with a view to implementing change. The Andersen team – led in Moscow by Stephen Zatland who was assisted by managers from Rank Hovis McDougall and the APV baking machinery group and paid for by the British Know-How Fund – has now completed the examination.

Zatland and his team found that the standard white loaf had a fresh life of about 16 hours from when it left the ovens. They also found that some of the bread was stale before it even left the factory, since some batches stood in the loading bays for much of the day or night before being loaded.

Even if despatched quickly, the loaves arrived in the shops with only a few hours of freshness left. Indeed, in all Russian bread shops, little spoon-like instruments are provided so that customers can press the loaves to see if they are worth buying. If the bread is stale, the shop may have no saleable bread for hours: hence people must wait in line to get something edible.

The Andersen team came up with plastic bags. Plastic bags, says Zatland, prolong the eating life of a white loaf from 16 hours to two or three days. However, plastic is a prized commodity in the former Soviet Union.

In western Europe, packaging is a $50bn industry, but in the Soviet Union it hardly exists. Where 95 per cent of food is packaged for sale in the advanced economies, in the former Soviet Union, the figure is around 2 per cent. Thus, when plastic bags were proposed for the bread, the bags themselves could not be found in Russia (though a supplier is now going into business to meet demand): the bags on the Vikhino line are supplied by BP.

Richard Budd, the Andersen consultant who works in Vikhino, has ensured that the bread to be packaged is the best and freshest on the racks. He has the packaging rate up to 30 loaves a minute on two of the three shifts of the 24-hour day. Cheerful amid the noisy gloom of the factory, he says that "this is one of the most forward thinking factories we've found: very progressive. They think strategically here – that's why we chose it for the bags".

Vladimir Panichev, the director, experiments with different types of bread and rolls in small batches between the standard loaves. But because bread prices are still fixed while cake prices are free, he has tended to switch resources into the latter to reap higher profits. He has managed to develop a staff which does at least some work.

The sale of the packaged bread is being market-tested with the aid of questionnaires: not surprisingly, people said they would certainly buy a loaf in a bag – since the bag itself is a free gift. There was resistance to paying extra for it, since the price of bread itself has gone up sharply and will go up still further. However, the Andersen team decided to put an extra rouble on the price of the loaf to show that there is no such thing as a free anything.

Other changes are also being made – one of them training shop staff in basic courtesies. Moscow shop assistants are famous for their rudeness: a raw, full throated hostility can meet a customer who, for example, asks for something that is not available, or is slow to produce money.

The Andersen people believe they may even get the shops to abolish the three-queue system: one to find out what is available, and to discover its cost; a second to queue at the cash desk to acquire a slip for the correct amount of the purchase; and the third to exchange the slip for the commodity.

Zatland found that there was no one in the factory who could see the overall picture. "Everyone we met in the industry at senior management level was knowledgeable, but only about his own sector," says Zatland. "The head of the transport division had ideas about better transportation: the people at the mills had ideas about milling."

He would like to see the appointment of a "Mr Bread" for Moscow, perhaps even for Russia. Mr Bread would be charged with producing the big picture and making the pieces fit within it.

Bread works in Moscow: but it works badly, scraping by on antiquated machines and crazy systems. Skilled engineers curse clapped out lines, keeping them going only with a vast expenditure of energy on waiting, shouting and abusing. Getting Muscovites their bread freshly, quickly and cheerfully would be a labour of Hercules: yet it is one of the easier challenges in this raucous and desperate museum of socialist economy.

Waxing lyrical on cholesterol

By Dr Michael McGannon

HEALTH CHECK

Anybody who is serious about health and fitness cannot afford to ignore cholesterol. No matter how religiously you exercise, your chances of having a heart attack may not change much unless you also find some way to regulate this waxy substance.

There has been much research into the role of cholesterol in heart disease, but what is known for sure?

Cholesterol is a family of waxy substances necessary to life. It is needed for the production of hormones and membranes; it is also important for fat digestion.

Cholesterol is broken down into different types depending on its density:

● Low-density lipoprotein (LDL) – the so-called "bad" cholesterol – is thought to be responsible for waxy cholesterol deposits in the arteries. The lower the level of LDL, the better. This means bringing your weight under control and restricting your intake of saturated fats. In particular, go easy on red meat – beef, pork and lamb – all cheeses, butter and lard.

● High-density lipoprotein (HDL) – the so-called "good" cholesterol – is charged with the delivery of cholesterol to the liver for processing and elimination. The more HDL, the better for the heart. In order to increase the level of HDL, stop smoking and take more exercise.

Experts agree that knowing your total cholesterol level is not enough: to understand how your blood fats are affecting the condition of your heart, you must know the relationship between the total cholesterol level and your HDL. This is a measurement that your doctor should make routinely as part of a standard health check-up.

According to the National Health Laboratories (USA), the range for this ratio is from under 3 for vegetarians (who eat very little animal fat) and marathon runners (who are thin and take a lot of exercise) to more than 23 for those with chronic, hyper-cholesterol problems.

If you maintain your ratio at around 3.5, you will cut the risk of heart disease to half the average. The range for an typical male victim of heart attack is 5.5 to 6.1.

Instead of embarking on a drastic nutritional plan, try first this practical strategy designed to achieve long-term success:

● The first step is to take stock. Count the number of meals that you eat every week that have saturated fats in them - including any butter, red meat, cheese, and the coconut or palm oil used in cereals, muesli and candy bars.

● If you find that 20 out of 21 meals contain saturated fats, eliminate the fat in only four (20 per cent).

So now you are still enjoying some of the richer foods that are generally part of business life, while moving in the right direction. We are are going for the "cure" here which allows you to decrease your fat intake, reducing a concentrated source of calories as well as slowing total cholesterol synthesis by the liver.

● You can accelerate the process of cholesterol control by consuming pectin fibre (found in apples and citrus fruits). Remember: "An apple a day keeps the doctor away".

● Re-check your ratio after three months. By choosing a relatively modest 20 per cent decrease in "fat meals" to start with, you leave yourself plenty of margin to manoeuvre in either direction once you re-check your ratio.

The new ratio will give you an indication of how far you still have to go. Keep a graph the trend over time and follow it yourself, with your doctor's guidance.

Lastly, do not attempt to try to obtain a total cholesterol:high-density lipoprotein ratio of around 3.5 in several weeks: this will result in failure and a possible rebound in the ratio. Instead, dedicate the next six to 12 months to bringing your cholesterol under control and to doing your heart a favour.

The author is the medical director of the Insead Business Health course.

LEGAL NOTICES

NOTICE OF CLASS CERTIFICATION, PROPOSED SETTLEMENT, SETTLEMENT HEARING, AND RIGHT TO APPEAR AT HEARING TO BE HELD ON JUNE 9, 1992

SUMMARY NOTICE

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED FOR CONSIDERATION UNISYS CORPORATION COMMON STOCK OR PREFERRED SERIES A STOCK DURING THE PERIOD FROM DECEMBER 1, 1987 TO OCTOBER 25, 1990, OR WHO ACQUIRED UNISYS COMMON STOCK PURSUANT TO THE PROXY/PROSPECTUS AND REGISTRATION STATEMENT ISSUED IN CONNECTION WITH THE MERGER OF UNISYS AND TIMEPLEX, INC. (THE "PURCHASER CLASS"), OR WHO HELD COMMON STOCK OF UNISYS AND WHO WERE ENTITLED TO NOTICE OF AND TO VOTE AT UNISYS' 1988, 1989, 1990, OR 1991 ANNUAL MEETINGS OF SHAREHOLDERS (THE "PROXY CLASS").

THE DEFENDANTS HAVE AGREED TO A SETTLEMENT OF THE LITIGATION WHICH PROVIDES FOR BENEFITS TO CLASS MEMBERS IF THE SETTLEMENT IS APPROVED BY THE COURT. THE SETTLEMENT FUND WILL BE AT LEAST $15,000,000, WITH THE POTENTIAL TO INCREASE TO $20,000,000 (PLUS INTEREST ACCRUED THEREON).

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Eastern District of Pennsylvania dated March 20, 1992, that a hearing will be held on June 9, 1992 at 4:00 p.m., before the Honorable Lowell A. Reed, Jr., United States District Court for the Eastern District of Pennsylvania, 601 Market Street, Philadelphia, Pennsylvania 19106. The hearing is to determine whether the proposed settlement of the Litigation against Unisys and certain of its officers should be approved by the Court as fair, reasonable and adequate, whether the application for attorneys' fees, reimbursement of expenses and payments to the named plaintiffs should be approved, and whether the Complaints should be dismissed on the merits and with prejudice.

IF YOU PURCHASED OR ACQUIRED OR HELD UNISYS SECURITIES AS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED AND (UNLESS YOU HELD BUT DID NOT PURCHASE OR OTHERWISE ACQUIRE UNISYS SECURITIES AS DESCRIBED ABOVE) YOU MAY BE ENTITLED TO MONEY. If you have not yet received the "Notice of Class Certification, Proposed Settlement, Settlement Hearing, and Right to Appear," which more completely describes the Settlement and your rights thereunder in detail, and a Proof of Claim form, you may obtain copies thereof by identifying yourself as a member of the Purchaser Class or the Proxy Class and by writing to:

Richard D. Greenfield, Esquire
GREENFIELD & CHIMICLES
One Haverford Centre
Haverford, PA 19041
Lead Counsel for the Class.

To participate in the Settlement, you must submit a Proof of Claim no later than July 1, 1992. IF YOU DO NOT SUBMIT A PROPER PROOF OF CLAIM FORM AND HAVE NOT EXCLUDED YOURSELF FROM THE CLASS, YOU WILL NOT SHARE IN THE SETTLEMENT BUT YOU WILL BE BOUND BY THE FINAL JUDGMENT OF THE COURT.

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION.

CONTRACTS & TENDERS

PETROLEOS MEXICANOS
TENDER NO. STI/PE 080492

Petroleos Mexicanos, the Mexican National Oil Agency invites all interested parties to bid for supplying in an EPC Contract (modified) for a three isomerization for C5 and C6 plants located in: CPQ La Cangrejera, and the refineries of Minatitlan and Cadereyta.

Information related to this project is available from:
Pemex Services Europe Ltd.
2nd Floor, 4 & 5 Grosvenor Place
London SW1X 7HB
Tel: 071-823 2242 Fax: 071-823 1813
Contact: Gustavo Molar, Pemex Representative
April 8th, 1992

LEGAL NOTICE

No of Company: 1978352
EXTRAORDINARY RESOLUTION
Pursuant to Section 84(1)(c) of the Insolvency Act 1986
In the matter of
HILLTEAM LIMITED
and in the matter of the Insolvency Act 1986
Passed 30 March 1992

At an EXTRAORDINARY GENERAL MEETING of the above-named Company, duly convened and held at Shelley House, Noble Street, London EC2V 7DQ on the 30th day of March 1992 the following Extraordinary Resolution was duly passed:-

"That it has been proved to the satisfaction of the Company that this Company cannot by reason of its liabilities continue its business, and that it is desirable that the same should be wound up: and that the Company be wound up accordingly and that John Colin Mannin Bishop and Roger William Cork of Cork Gully, 3 Noble Street, London EC2V 7DQ be and they are hereby appointed the Joint Liquidators of the Company for the purposes of such winding-up."
VINOD PATEL.

COMPANY NOTICES

YORKSHIRE INTERNATIONAL FINANCE B.V.

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts for the period ended 30th September, 1991 are available from Yorkshire Bank PLC, 56-58 Cheapside, London EC2P 2BA. The Annual Report and Accounts of Yorkshire Bank PLC may also be obtained from this address.

PERSONAL

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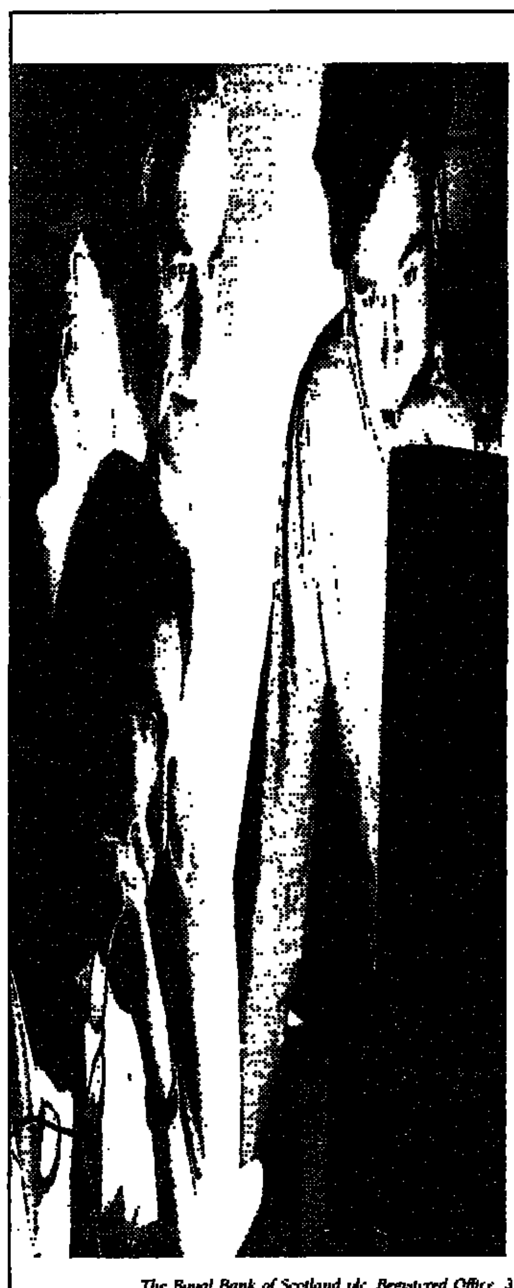
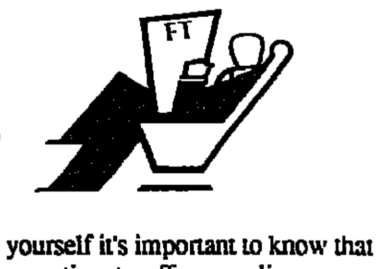




BUSINESS AND THE ENVIRONMENT

Damian Fraser describes how companies are cashing in on Mexico's pollution problems

Going up in smoke

Mexico, which a few years ago had some of the weakest and most poorly enforced anti-pollution laws anywhere, is looking to clean up its famously foul environment. The prospect of a multi-billion dollar market in clean-up work is drawing in pollution-control companies from around the world.

Chemical Waste Management, a subsidiary of the US Waste Management Inc, has recently set up an office in Mexico City and sees the overall market to be worth $10bn (£5.8bn) by the end of the century, with the industry growing even faster than the US market over the past decade.

"They [government officials] have the regulations in place. They know the problems in the US and Europe. We feel they are going to push harder and harder," says David McConnel, manager of Chemical Waste Management's Mexico office.

The country's list of environmental problems is depressingly long. Mexico City's air pollution is among the worst in the world; the US-Mexican border at places looks like a giant rubbish dump; Mexico's rivers and lakes and open spaces are invariably polluted with toxic effluent; throughout Mexico there is an acute shortage of water.

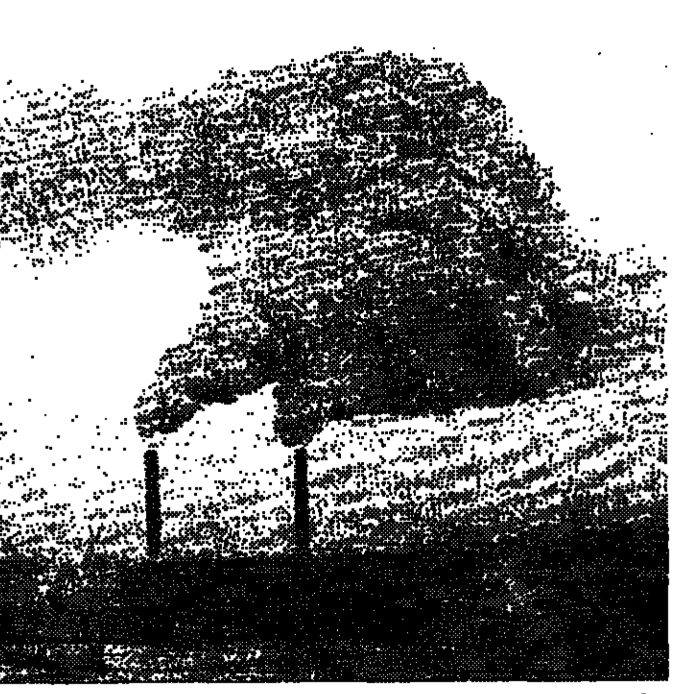
However, the government has begun to enforce regulations that are approaching the level of strictness in the US. Last month the US and Mexico unveiled a $840m joint plan to clean up the border area.

Manuel Camacho Solis, Mexico City's mayor, also ordered the city's largest industries to buy anti-pollution equipment to help cut emissions of suspended particulate matter by 90 per cent, nitrogen dioxide by 50 per cent and solvents by 10-15 per cent in 18 months.

In the past, government regulations have usually been ignored, and no doubt enforcement will continue to be weak. But there is reason to believe the government is more sincere in the latest crackdown. Mexico hopes to sign a free trade agreement with the US in the next 12 months, and its environmental record will be scrutinised closely by the US Congress.

The environment is becoming an increasingly important political issue in Mexico, and officials that do not enforce regulations risk losing their jobs. Government rhetoric has thus stepped up a notch and industries which fail to comply with standards are being closed down.

"As of now, every business [in Mexico City] knows that for the second semester of 1994, if it cannot or will not adapt its production, it will have to close or relocate outside of the Valley of Mexico," said Patricio Chirinos, minister for the environment, when unveiling the new plan for Mexico City.



Mexico City's biggest industries must install anti-pollution equipment to help cut emissions of nitrogen dioxide, particulate matter and solvents

The government claims that already, in response to the new regulations, 40 industries and 12 mines in Mexico City have promised to spend $52m on buying scrubbers, filters and energy saving devices – mostly from US companies such as the Clean Air Group, Owen Rust Engineering and Northrop.

While Mexico City's air pollution grabs all the attention, the greatest business opportunity in the short term probably lies in water treatment and transportation. The Mexico City metropolitan area uses about 60 cubic metres of water a second (60,000 litres per second), of which about 42 cubic metres comes

'Every business in Mexico City knows that for the second semester of 1994 if it cannot or will not adapt it will have to close or relocate'

The government has promised more than $1bn in subsidised loans to Mexican industries intent on reducing their emissions. Rene Altimirano, a senior official at the environment ministry, says Mexico's industries would have to invest a total of around $7bn if they were to comply with existing regulations.

from underground water and 18 cubic metres from outside the city. The government reckons that the underground aquifers are over-exploited by about 20 cubic metres a second, and that they will need a replacement source in five years.

Carlos Cassasus, a senior official at Mexico City's planning office, says about 4 cubic metres per second can be freed up by encouraging industries and agriculture to use recyclable water. This would require, says Cassasus, an investment of about $160m in water treatment plants.

The government has still not decided whether the transport of water will be fully opened to private investment. But officials freely admit that they are strapped for cash and "creative financing" schemes are envisaged. The rest of Mexico City's replacement water will have to be brought from the Cutzamala system at a cost of about $900m in pump and pipe investment.

The shortage of Mexico City's water mirrors what is happening in the rest of the country, especially along the heavily industrialised Mexican-US border.

Only about 5 to 10 per cent of water is recycled, against about 70 per cent in the US. Mexico City, Nuevo Leon and Queretero all regularly turn away industries because of water shortages.

Alfonso Ruiz, of Cydsa, the large industrial conglomerate which has opened an environmental business division, reckons that the private sector water treatment industry will be worth at least $1bn by the end of the decade, against next to nothing now. His company already has 50 industrial clients that want treatment plants built for them, and is actively looking for foreign partners to help meet demand.

Chemical Waste and a sister company hope to profit from providing sites for treatment of solid and chemical waste. In the entire country there is only one operating landfill site for hazardous waste, three incinerators, seven recycling plants and about 50 landfills suitable for solid waste.

Until now, most Mexican-based industries have dumped toxic rubbish in rivers, lakes or spare land. Altimirano says Mexico needs at least five more incinerators – at a minimum cost of $14m each – 30 recycling plants and another 30 *landfills suitable for toxics.*

Chemical Waste is looking to build three landfills for toxic waste, and says it will be investing at least $5m a year. A sister company will be building solid waste sites.

Investing in Mexico's anti-pollu*tion industry is not without its* risks, however. Environmentalists are demanding that clean-up industries comply with particularly exacting standards, while corruption and poor enforcement will continue to plague the business. But *environmental laws are sure to get* tougher as Mexico develops, and more and more of the country's resources will inevitably be devoted to abating the worst effects of industrialisation.

Sticking a neck out to save the crane

Hilary de Boerr looks at the competition for land between rice farmers and conservationists in Vietnam

The eastern Sarus crane, a tall grey bird with a brilliant red neck, can live for more than 80 years and mates for life. In Vietnam, it is a symbol of eternity, carrying man's spirit to heaven. Nevertheless, the creature is fighting for its life as farmers and conservationists compete for the land on which it feeds.

Until seven years ago, the Sarus was feared lost to south-east Asia. Land development, the ravages of war in Indo China and hunting left no wild Sarus alive in China, Thailand and the Philippines. Its status was questionable in Burma, Laos and Cambodia.

Then in 1985, ornithologists discovered a group of the cranes in Dong Thap province in south-west Vietnam. The discovery has moved environmental matters up the political agenda in a country preoccupied with post-war economic development. Dong Thap province, bordering Cambodia, has thus become the focus of worldwide attention. The International Crane Foundation, based in Baraboo, Wisconsin, has invested hundreds of thousands of *dollars on field* research to save the crane.

A nature reserve called Tram Chim (meaning bird swamp) has been set up to protect *the birds' feeding ground, with a* field centre financed by German conservationists. Vietnamese conservationists and authorities have devoted efforts to preserving the natural habitat.

The problem is that the land com*prising the 9,000-hectare nature* reserve is very much in demand. Thousands of impoverished farmers are being moved to the region's wetlands to relieve population pressures elsewhere in the country. The land, with poor growing soil that is *highly acidic, can produce up to* three rice crops a year. The more land a farmer has, the better his chances of making a living.

George Archibald, director of ICF, spends about one month a year at the reserve to oversee its development and protect incursions by the farmers. "The reserve is under pressure because the local people would like to turn the whole area into one big rice field, cutting down all the trees. That's what we are battling against," he says.

His task has been to heighten the local people's awareness of the importance of the crane. Through Earthwatch, the environmental charity, Archibald brings paying volunteers from abroad to help him with his field research, including visiting villages and local schools to educate people about the birds.

The fact that the volunteers – mostly American – pay a lot of money to join the Earthwatch team does not escape the notice of the Vietnamese government. Nguyen Quyen Sinh, general director of Vietnam National Tourism Corp, the government body responsible *for tourism, told this year's group* of international volunteers that he would ask the prime minister, Vo Van Kiet, to make the reserve into a national park.

Archibald believes there is great potential for ecotourism in the area *– for example, bird-watching holi*days. Tourism in Vietnam remains underdeveloped, with general tourism approved by the government only five years ago. Agriculture is the mainstay of the country's economy, employing about 80 per cent *of the workforce. Last year 350,000* tourists and businessmen visited Vietnam, but more infrastructure development is necessary before the market grows significantly.

In the meantime, local farmers are concerned only with feeding their families. Conservationists are therefore pinning their hopes on finding alternative sources of income for the Dong Thap area.

Le Dien Duc, co-ordinator of the wetlands and water birds working group at the University of Hanoi, believes forestry might be the answer. The wetlands area is home to the Melaleuca, a valuable tree that withstands rot and is used in the construction of house foundations, dykes, dams and furniture. Its oil has medicinal value, its flowers are used for honey, and the wetlands where the trees grow harbour commercially valuable fish.

Melaleuca forests used to cover 250,000 hectares in the Mekong delta before the Vietnam war, and during the war were home to the Communist-backed Viet Cong. The US army sprayed toxic chemicals, *bombed and* napalmed the area and dug drainage canals to kill the forests. After the country's reunification in *1976, farmers con*tinued the deforestation, adding drainage canals to create rice fields. Trees have since been planted but *there are still only* 116,000 hectares of Melaleuca growing in the area.

Duc says such forests would help to minimise the damage caused by *storms in the rainy season – when* whole areas, including houses, can be under water. The trees help to improve the quality of the soil over time by preventing acidification. They also filter pollutants from underground water. "It's our solu*tion to help the local people live in* harmony with the environment," he says.

Farmers have rejected Melaleuca forestry in the past because of the five-year delay before timber harvesting is possible. Duc believes *that with financial and technologi*cal support – most likely from international organisations and foreign governments – the local people could learn to restore and manage the forests profitably.

FT LAW REPORTS

Bank fraud issue can be tried

OWENS BANK LTD v BRACCO AND ANOTHER
House of Lords
(Lord Griffiths, Lord Bridge of Harwich, Lord Ackner, Lord Goff of Chieveley and Lord Browne-Wilkinson):
April 1 1992

DEFENCE allegations that a *Commonwealth judgment* was obtained by fraud can be tried in English proceedings to register the judgment, irrespective of whether or not there is fresh evidence to establish fraud.

The House of Lords so held when dismissing an appeal by the plaintiff, Owens Bank Ltd, from a Court of Appeal decision that an issue be tried as to whether a judgment obtained by the bank in St Vincent and the Grenadines against the defendants, Mr Fulvio Bracco and Bracco Industria Chimica SpA, had been obtained by fraud. Questions on an issue relating to the Civil Jurisdiction and Judgments Act 1982 had been referred to the European Court.

LORD BRIDGE said that the bank had applied to register a judgment of the St Vincent High Court against Mr Bracco and Bracco Industria for more than 10m Swiss francs.

After initial registration Bracco applied for an issue to be tried under section 9(2)(d) of the Administration of Justice Act 1920 as to whether the St Vincent judgment had been obtained by fraud

Sir Peter Pain gave judgment in favour of Bracco. The bank's appeal was dismissed.

The bank's claim in the St Vincent action was that on January 31 1979 Mr Armando Nano, the bank's managing director acting on its behalf, lent Bracco Industria SFr9m.

The bank said the loan was acknowledged on documents signed by Mr Bracco, which gave the St Vincent court jurisdiction in the event of dispute. Mr Bracco denied the transaction, asserting that no loan had been agreed, no cash had been handed over, and that the loan documents were forgeries.

In the St Vincent court after the bank's case was closed, Bracco sought to set up a new defence that the signatures on the loan documents were genuine but had originally appeared in the wide margins of a different contract; that the margins had been cut off; and that Mr Nano or someone on his behalf *had typed in the rest of the* document.

The court did not permit Bracco to set up that defence at such a late stage, and gave judgment for the bank. An appeal was dismissed.

Before, during and after the St Vincent proceedings, criminal and civil proceedings were commenced in Italy in which the issue of fraud had been raised. Mr Nano and a co-defendant had been convicted of certain charges and the loan documents were held to be forgeries.

Section 9 of the 1920 Act provided that, where judgment had been obtained in the Dominions, the judgment creditor might apply to the High Court within 12 months to have it registered.

Subsection (2)(d) provided that no judgment should be registered "if... the judgment was obtained by fraud".

The bank submitted that section 9(2)(d) must be construed as qualified by the Common Law rule that an unsuccessful party could not challenge a judgment on the ground that it was obtained by fraud, unless he could prove the fraud by fresh evidence which was not available to him and could not have been discovered with reasonable diligence before judgment was delivered. Here, it was said, there was no such fresh evidence.

That was *the rule to* be applied in an action to set aside an English judgment on the ground that it was obtained by fraud.

The question was whether a defendant seeking to resist enforcement of a foreign judgment, either by Common Law action or statutory machinery, was in the same position as a plaintiff seeking to set aside an English judgment on the ground that it was obtained by fraud, and could therefore only rely on evidence which satisfied the English rule.

A foreign judgment given by a court of competent jurisdiction was treated by the Common Law as imposing a legal *obligation on the judgment* debtor, which was enforceable by an English court in an action in which the defendant would not be permitted to reopen issues of fact or law decided against him by the foreign court.

In *Abouloff v Oppenheimer (1882) 10 QBD 295* Lord Coleridge CJ said: "It is a *principle* of law that no action can be maintained on the judgment of a court either in this country or in any other, which has been obtained by fraud."

Lord Justice Brett said: "The *defendants will not* be barred at the trial of this action from making the same charge of fraud and from adducing the same evidence in support of it."

In *Vadala v Lawes (1890) 25 QBD 310* Lord Justice Lindley said what the judgments in *Abouloff* amounted to was that, "if the fraud upon the foreign court consists in the fact that the plaintiff has induced that court by fraud to come to a wrong conclusion, you can reopen the whole case even although you will have in this court to go into the very facts which were investigated, and which were in issue in the foreign court".

Those decisions had been criticised by academic writers and had not been followed in the Canadian courts.

If the issue were governed only by Common Law, it would have been necessary to examine in detail the authorities prior to *Abouloff*.

But that was not the position.

Enforcement in the UK of Commonwealth judgments was governed by section 9 of the 1920 Act. Enforcement of judg*ments in countries with which* the UK had concluded reciprocal enforcement arrangements was governed by the foreign Judgments (Reciprocal Enforcement) Act 1933. It provided by section 4(1)(a)(iv) that registration was to be set aside if the registering court was satisfied "that the judgment was obtained by fraud".

The 1920 Act was preceded by a report in 1919 of a committee chaired by Lord Sumner on "the Conduct of Legal Proceedings between Parties in this Country and Parties Abroad and the Enforcement of Judgments and Awards".

The report commented adversely on adoption of a *principle of strict reciprocity* giving all judgments within the Empire equal status and currency in all parts of the Empire. The committee accepted the criticism and recommended a much more cautious approach. That caution led to recommendations which were directly implemented by *section 9(1) and (2)(a)-(e) of the* 1920 Act.

Even without reference to the *Sumner Report*, section 9(2)(d) would have to be construed with reference to the Common Law as understood in *1920*.

But the context in which the recommendations came to be embodied in section 9(2) left no room for doubt.

Having rejected the strict reciprocity principle, the committee's recommendation, that fraud should be one of the express bars to enforcement of a Commonwealth judgment, could only have been intended to apply the much wider rule applied in *Abouloff* and *Vadala*. *Section 9(2)(d) must be con*strued accordingly.

An English judgment was final and conclusive as to the issues decided.

It was to preserve that finality that any attempt to reopen *litigation, even on the ground* of fraud, had to be confined within very restrictive limits.

In *Abouloff* and *Vadala* the Common Law declined to accord the same finality to foreign judgments, but preferred to give primacy to the principle that fraud unravelled everything.

Section 9(2)(d) of the 1920 Act, construed as it must be, as an adoption of the Common Law approach to foreign judgments, specifically denied finality to the judgment if it could be shown to have been obtained by fraud.

There might be a strong case in the 1990s in favour of according overseas judgments the same finality as English judgments. But enforcement of overseas judgments was now primarily governed by the 1920 and 1933 Acts.

The whole field was effectively governed by statute and if the law was now in need of reform it was for the legislature, not the judiciary, to effect it.

For the bank: Martin Mann QC and Michael Gadd (Jaques & Lewis).

For Bracco: Barbara Dohmann QC and Thomas Beazley (Clifford Chance).

Rachel Davies
Barrister

PEOPLE

Chemical reactions

SmithKline Beecham, the Anglo-American drugs group, has now completed post-merger restructuring in its European pharmaceuticals operations, according to Jan Leschly, division chairman.

The appointment of Charles Woler as chairman of European pharmaceuticals operations is the final move in a fundamental reorganisation which has left in place only two of the 14 most senior pharmaceutical managers at the time of the merger. Half of the 12 new appointees, like Woler, have come from outside the group, *while half have been* internal promotions.

Woler was previously at the Paris-based Cider group, and before that was in charge of pharmaceutical, animal health and certain chemical *operations in France for Hoff*mann-La Roche. Leschly says Woler's experience, as a doctor and MBA graduate, would allow him to tackle the regulatory and commercial challenges of the European market over the next five years.

Woler's predecessor, Martyn Greenacre, who moved to Europe following the merger two and a half years ago, has decided to return to the US with his family. He is reviewing his position with the company and is looking for new career opportunities in the US.

CRODA INTERNATIONAL, the UK chemicals group, has split the post currently held by Stan Cressey, managing director of the *speciality* chemicals business. Cressey, 58, is retiring as a director of the group because of ill-health. The company says his role is too onerous for one manager.

David Clifton, managing *director of the universal divi*sion, will also take charge of oleochemicals. Meanwhile, Peter Stefanini has joined Croda from Coalite Chemicals. He will become managing director of a number of divi*sions, including adhesives,* colours, hydrocarbons and applications and will take responsibility for certain operations in the Pacific Rim.

The owner of Coalite Chemicals, Anglo United, is planning *to sell the business to prepare* the way for buying British Coal's assets. It has appointed George Danso, currently operations director, as the new managing director.

Moving nicely from New York

AMERICAN EXPRESS Bank has appointed John Saverino, at present executive director and senior marketing group head at American Express International Capital Corp in New York, to be the first general manager of American Express Bank's newly created UK region.

The move follows a shake-up in American Express Bank's European management structure. The bank's UK operations have been detached from the rest of Europe and Saverino, 46, will control all its UK services at a testing time for the banking industry as a whole.

American Express Bank is a sister company of the famous Travel Related Services division which issues charge cards and cheques. The bank provides up-market banking services to wealthy individuals and selected financial institutions through four separate business divisions: private banking, *commercial services*, correspondent banking, and treasury products and services.

Saverino has been brought in to refocus the bank's European business with a greater emphasis on the UK.

Vice president *of Manufac*turers Hanover Leasing Corporation for six years before joining American Express in 1979, Saverino has two children and lists his recreations as tennis, American football and theatregoing.

■ **Norman Becker** is appointed divisional director of HITACHI's consumer electronics division; he moves from domestic appliances.

■ **Robert DeBarr** is appointed a director of LAND SECURITIES.

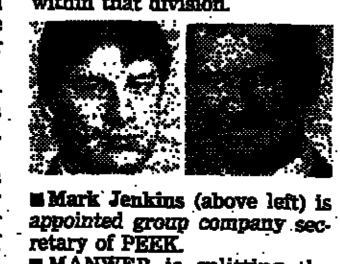
■ **Hamilton Anstead**, currently finance director, is appointed deputy md of TAKARE; Ron Reid has joined from Price Waterhouse as finance director designate.

■ **Patrick Howes**, chief executive of the parcels division, is appointed to the SECURICOR main board.

■ **Michael Wynne**, operations and customer services director *of Littlewoods home shopping* division, is appointed md of WESSEX WASTE MANAGEMENT.

■ **John Crowther** has been appointed to the new job of managing director of Vickers Defence Systems, the division of the Vickers group whose main business is making Challenger battle tanks at factories in Newcastle upon Tyne and Leeds. He joined the company from British Aerospace two years ago as commercial director. Gerald Boxall retains his post as chairman.

■ **Stephen O'Shea** is appointed chief executive of HALMA's fire and gas sensor division and chairman of Apollo Fire Detectors and Analytical Development, companies within that division.



■ **Mark Jenkins** (above left) is *appointed group company* secretary of PEEK.

■ **MANWEB** is splitting the roles of chairman and chief executive. The current md John Roberts (above right) becomes chief executive and Bryan Weston becomes part-time chairman from August. Howard Kirkham, previously md of Chloride Industrial Batteries, is appointed director, network services, in place of Denis Farquhar who is to retire in September.

■ **Bob Nellist** is appointed finance director of ISOSCELES.

■ **Rory Shearer** is promoted to finance director of ADWEST on the retirement of Martin Harley.

■ **Ian Martin, Michael Delahooke, Jean d'Amecourt,** and **Chester Evans** have been appointed to the board of IDV, GrandMet's drinks sector.

■ **Henry Reece**, md of Pitman Publishing, has been appointed to the board of LONGMAN GROUP UK.

■ **Christopher Teed** is promoted to md of Serck Heat Transfer, a BTR company; he replaces Alan Marsh, who has been appointed md of Mirlees Blackstone.

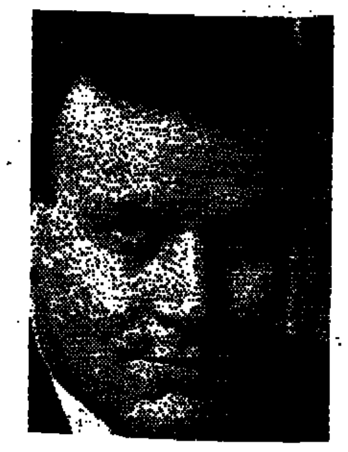
■ **Richard Clothier**, chief executive of The Pig Improvement Company, and **Paul Kirk**, chief executive of Dalgety Agriculture, have been appointed directors of DALGETY.

Dennis Smith, a director of AUTOMATED SECURITY HOLDINGS, died in an accident last month.

Andy Fraser is gleeful about his new role as managing director of the advertising agency Collett Dickenson Pearce. Having spent the last 11 years with Saatchi and Saatchi, 41-year-old Fraser thought it was time for a change. And nowhere better to head towards than CDP, where his Far East experience will come in useful – and *where the Japanese ad giant* Dentsu has 43 per cent.

A Sussex university graduate in English and American studies, Kuala Lumpur-born Fraser spent four years in Thailand from 1976 heading McCann Erickson's office as one of their youngest ever managers, arriving in Bangkok at an *exciting time with the* Vietcong gaining ground. He speaks the musical Thai language "reasonably", some achievement since he admits to being "tone-deaf".

Fraser is one of a handful *of key Saatchi* executives who have departed in recent months, though he goes without acrimony – "I'll never have a word said against them".



TELEVISION

Life in the raw

Tuesdays are now bringing two more helpings of television fiction: *Medics* from ITV at 9.00 and, the moment that finishes at 10.00, *Resnick* from BBC1. The first is a series set in (perhaps you should sit down) . . . a hospital! The second – do you have a tight hold on your hat? – is about a police detective. Where do television people find these astounding ideas?

Medics was launched last year and concentrated on the private lives of a crowd of randy young doctors. Now it stars Tom Baker as a surgeon, an "unorthodox" *surgeon, naturally, who* operates to music and delivers that manic grin over his theatre mask – enough to knock out any patient without benefit of anaesthetic. Charlie Resnick is, we are assured, "an unconventional police detective". This means he lives on gherkin and mustard sandwiches, listens to jazz and sees ghosts.

There is nothing strikingly bad about either series, indeed *Resnick* may prove rather good. But if you want engrossing fiction you can get it from books, cinema, radio and theatre, as well as television, and the material in the older mass media is often impressive. But when it comes to non-fiction of a certain sort – showing the world we live in – television has the edge, whether in current affairs or documentary programmes. Although much can be achieved by books, magazines and newspapers, using print and photographs – particularly if a predominantly abstract treatment is desired with more analysis than illustration – television is nearly always superior when it is a *question of* showing the public what is happening in some particular sphere. However, it is important that the programme makers know exactly what they are trying to do and which techniques they are going to use and, even more crucial, that they tell us. Astonishingly often, they fail in all of this and, worse, pick the wrong technique in the first place.

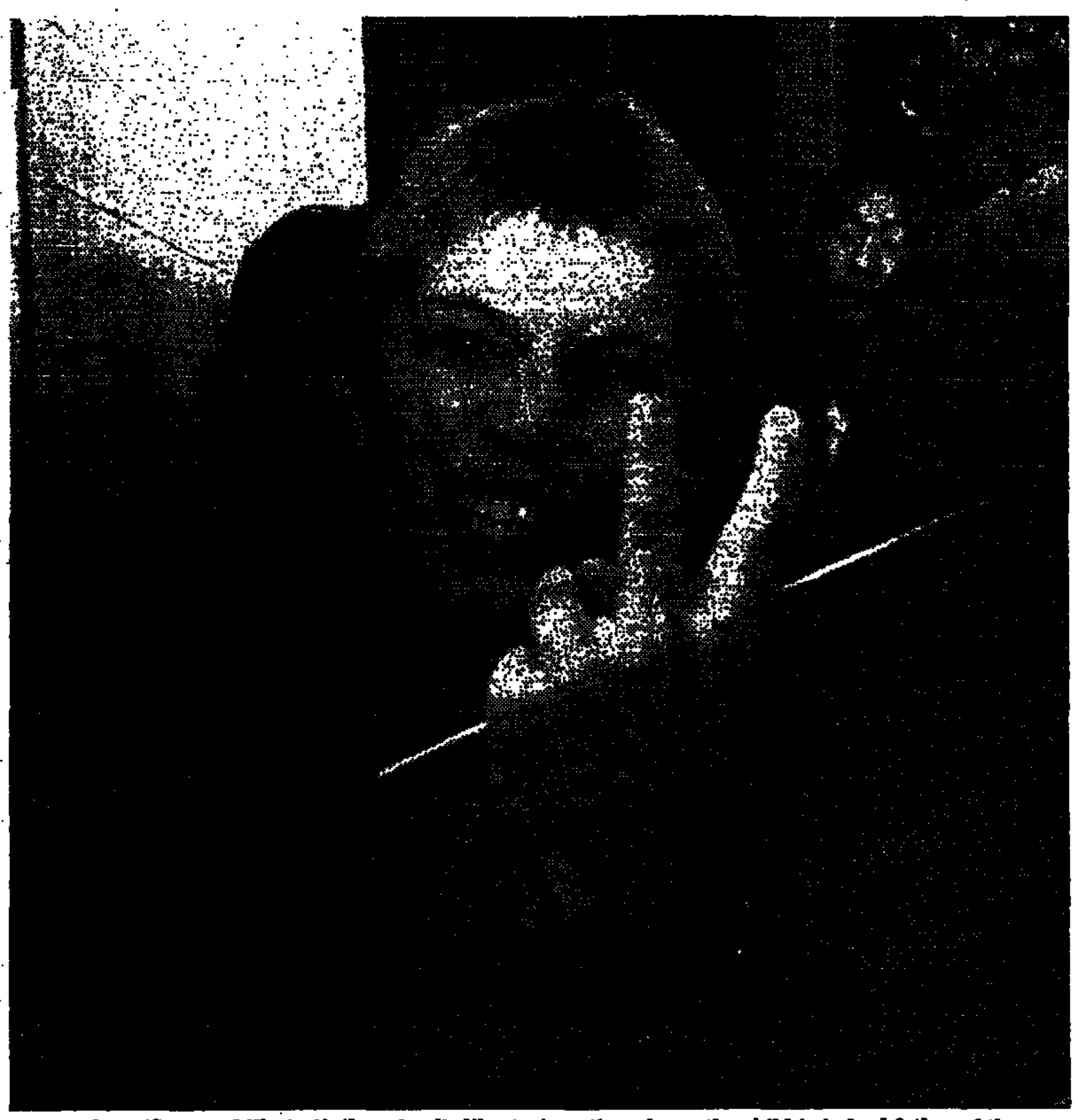
Last week's *Cutting Edge* on Channel 4 was a classic example. The makers wanted to show what goes on at Summerhill, the school started 70 years ago by A.S. Neill, who maintained that children were naturally good, not naturally bad; it took adults to teach children to lie. Everyone, whether child or adult, has an equal vote in making the rules, and lessons are voluntary. The trouble with the programme was that, being a "fly on the wall" study, it found no means of conveying the sort of information which most viewers consider essential. Was this a private school? If so, what were the fees? Why were so many of the children American or Japanese? Is 90 per cent of school time really occupied by union-style meetings dominated by the show-offs, or was that simply what most interested the film makers? How many children are there? What are their ages? How many staff? How many of the children take exams? Which ones? What is the success rate?

The advantages of verité techniques are greatly over-rated and involve much hypocrisy, since the makers shape the end-product by their editing decisions as surely as any conventional programme-maker does. Meanwhile they relinquish the advantages of reporter, script, graphics, voice-over, and so on. "Summerhill at 70" was a particularly striking example.

Still, the irony is that reactions to the programme have been restricted almost entirely to anger about a boy with a machete, seen chasing and killing a rabbit which, it seems, was suffering from myxomatosis. The programme's one considerable achievement was in showing how the libertarian nature of Summerhill illustrates that the child is indeed father of the man, how the desire to hunt and kill animals, whether rabbits, fish, or foxes, all begins in childhood; how the possession of weapons and their use in threats and for domination are not peculiar to the Saddam Husseins or Margaret Thatchers of this world but also start in childhood. Yet what was the main reaction to the programme? Shock and outrage – what a disgraceful school where boys can kill ickle bunny-wunnies.

Last week's *QED* also raised more questions than it answered. First, what does the return of the badly burned Simon Weston to the Falkland Islands, and his meeting with the pilot who led the attack on the *Galahad*, have to do with popular science, which we are told is *QED's* subject? And who financed the trip? No doubt many servicemen over the years have had a yen to meet their former enemies, but few would spend thousands of pounds to do it.

It would be one thing for Weston to move heaven and earth to return to Argentina and find the man responsible for his wounds (however questionable, as both were acting under orders and Weston would doubtless have inflicted similar damage if he could) and for television to follow along behind. It is something else entirely if it was the bright idea of some broadcaster who fixed it all up, paid for it, and then filmed it. Of course viewers are not told that sort of thing.



A scene from 'Summerhill at 70': the school's libertarian ethos shows the child is indeed father of the man

Worst of all, however, was a 95-minute "documentary" called "My Crasy Life" in BBC2's *Fine Cut* series, yet another programme about Los Angeles street gangs. As so often, we were told nothing about the attitudes, aims, or techniques of the programme-makers, and the whole thing conveyed a distinctly odd feeling. It was not merely that the slang and pronunciation left most of us in need of subtitles, it was something more profound. The "rap" sessions did not look spontaneous but as though they had been semi-professionally produced, and events such as the stealing of the wallet from the white teenager felt staged.

Reference to the press release brings enlightenment: the programme was "scripted, edited, lit, acted and directed along fictional lines", the producers "threw away the rule book, giving the gang members access to the film making process", it was "primarily constructed from re-enacted scenes", the makers decided to shoot in a "cool style" which allowed "respect to the gangster".

As that last quotation suggests, it is becoming dangerously fashionable for makers of programmes, fiction and non fiction, to indicate that they are unable to tell right from wrong. That aside, there is nothing so dreadful about the producers' techniques *providing the viewers are told*, but of course they were not.

So, contrary to the claim above, are there no good non-fiction programmes these days? There are, of course, though current affairs series are at present dominated to an absurd degree by the election campaign.

There was, however, one excellent documentary last week which proved that there are new subjects under the sun and that conventional methods can still be extraordinarily effective. "The Story Of Elisabeth Nietzsche" in BBC2's *Timewatch* slot told the astonishing tale of how, a century ago, Friedrich Nietzsche's sister started a racially-pure colony in the depths of the Paraguayan jungle.

The descendants are still there today and the programme made good use of a visit. Tonight the second in this pair of programmes promises to explore Elisabeth Nietzsche's influence on Mussolini and Hitler, using material made available recently by the collapse of East Germany.

In the end it is not technique that matters so much in non-fiction programmes, but the dedication of the programme maker, ironclad integrity, and above all a willingness to come clean with the viewer.

Christopher Dunkley

Moscow City Ballet

Moscow City Ballet has returned to these shores for another tour with its versions of *Sleeping Beauty* and *Swan Lake*. It would be pleasant to report that, after last year's visit, the company had improved its presentation of *Beauty*, that most difficult of ballets, but the staging (as I saw it last Friday night) remains pauperishly the same.

The setting is gimcrack, the costuming mostly risible where *it is not frankly embarrassing* in its inadequacies. The King (Fauntleroy XIV) wears a mustard-coloured lurex knickerbocker suit, embellished with touches of Soviet lace, and sports a page-boy wig with tinsel crown-ette. (His coiffure is, though, rivalled by the long golden locks sported by a lurid young gent among the courtiers, industriously impersonating Veronica Lake). Other characters are kitted out in garments that should have been left behind in an Omsk thrift-shop. About the company shoes, I can but report that they must be among the grubbiest and most dispiriting I have ever seen on stage.

The coloured programme book – no bargain at £3 – declares that the aim of Viktor Smirnov-Golovanov, director of the troupe, is "to teach his young company the original ideas of the great 19th century choreographers". A pity, then, *that the Beauty text is so oddly* edited, and that certain emendations (the Prologue's "finger" variation; the dances for the fairy cavaliers; the hunt scene) should be so undistinguished. Yet, as with last season's appearances when Ludmila Semenyaka was the invited star, there is a reason to watch Moscow City Ballet.

The casting of Yury Posokhov (a guest from the Bolshoy) in certain performances is of real importance. We have greatly admired him with his parent company. He shines now like the best of deeds in the naughtiest of worlds. He shows us the Prince as poet. His physique is ideal, harmonious; his style noble; his technique fluent, elegant in placing and pose, generous in scale. The role acquires thereby an inevitability, a natural distinction, that give it immediate and splendid meaning – we *understand the later development* of the action on the terms of Posokhov's presence.

Like Oleg Sokolov, great interpreter of the Prince with the Kirov in the 1960s, he incarnates an idea of aristocratic behaviour that lies at the core of a premier danseur's art. We are aware of bloodlines going back to *le Roi Soleil*. That Posokhov also suggests something of the Prince's dreaming, visionary nature in the hunt scene, lends an imaginative depth to the reading.

His Aurora was the young, beautiful Yevgenia Vorobieva. Her dancing is serenely easy, and her gently absorbed air – she is caught up in the role, and plays it with a bewitching decorum of manner – brings something utterly sincere and touching to the character and to the classic dance. For the rest, Yulia Snegurova was a gracious Lilac fairy; the female corps de ballet worked industriously: *they all merit vastly* better surroundings for their gifts.

Clement Crisp

Moscow City Ballet on tour: Manchester Opera House until April 11; Sadler's Wells Theatre, April 13-18; Paignton Festival Theatre, April 20-25.

Back up the hearse

The full title of William Gaminara's first play is *Back up the hearse and let them sniff* the flowers, a phrase familiar to those high pressure door-to-door salesmen who can sell steak tartare to vegans, but obscure to their victims. It means frightening someone into buying.

Gary (Paul Bown) heads the local branch of Virgin Waters, bringing the dubious benefits of an expensive water filtering system to doubtful householders. In his team are two stars, the current champion salesman Steve (excellently played by Danny Webb), who could, and would, sell his granny to the white slavers, and Brian (James Purefoy), who is hitting the households hard and is on target to snatch from Steve the month's incentive prize (unbelievably, it's a colour TV).

Then there are Andy (Wilbert Johnson) and Angie (Debra Gillet), who have yet to make their first sale. The duplicitous office manager is Sharon (Lesley Dunlop). It is a world made for drama, as the sales team humiliate potential customers and themselves – in a strong scene Brian talks open a closed door by raising the spectre of a sick child if the mother *does not* buy a filter, while Andy allows himself to be sexually assaulted to make his first sale.

But (groan, groan) it is, of course, also a metaphor for Thatcher's Britain. Suddenly, as Steve clinches a sale to an impoverished couple, he relents, and tears up the contract. He's been struck by an attack of conscience. We soon find out why. Before discovering the joys of cut-and-thrust competition, he was an enthusiastic Trotskyite. His half-brother Des (Christopher Fairbank), who suffers from a wasting disease, still is.

In an ending to warm Stalin's heart, and is the fade-out on innumerable propaganda movies, Gary lies beaten up and broken in the arms of Des, murmuring "Is there really nothing else?" To be answered with a reassuring "Of course, there is".

Until imposing his politically correct Hampstead ending, Gaminara's play grips and convinces. As an exploration of human weakness – all the characters but Sharon crack up in one way or another – and human exploitation (the sales team trample on each other as vigorously as they batter the customers) it is spot-on. John Dove directs a splendid cast around Robert Jones' adaptable stage with great conviction and gives us one of the most frightening fight scenes I have ever witnessed.

Antony Thorncroft

At the Hampstead Theatre until May 9.

Opera revivals

Guillaume Tell and Les Contes d'Hoffmann

Rossini's final operatic masterpiece made its return to the Royal Opera two years ago, after a gap of a century. The wait for its first revival has been considerably less protracted: this being the composer's bicentenary year, *Tell* now forms one of the house's two big celebratory events (the new *Viaggio a Reims* follows in July).

This time, the celebration is not in name only. A hugely rewarding evening of French Grand Opera is on offer: an inspired but demanding work given with a sufficient degree of impassioned commitment to set the conflagration roaring. In 1990 the carefully considered naturalism of John Cox's production (plain old-fashioned, to some) and the somewhat sedate warmth of Michel Plasson's conducting were attributes one respected rather than admired; there was a tentative air about the first performance that prevented even the most ardent of the opera's fans from recording unconditional pleasure in its return.

On the evidence of Monday's performance, the staging now rises nobly to the occasion. The opera shows itself a mighty arched span of linked themes and destinies, grand not merely in generic description but in spirit, sound and dramatic purpose. Singing, not just impassioned but supple in moulding, *is in short supply*, and there still seems a touch of the bargain-basement about some of the costumes.

Sometimes one notes unevennesses in the ensemble; sometimes the orchestral underpinning is less dramatically charged than it can be. But Plasson's overflowing love for the work seems to infect the whole cast and (much improved) chorus: the opera's final paean to liberty – sublime passage! – sweeps into the theatre with a fervour that is obviously unfeigned.

The transformation in the original cast-members proves no less impressive. Gregory Yurisich in the title role is a firebrand, vocally rough-hewn and dramatically electrifying. Chris Merritt has learnt to use his astonishing tenor instru*ment for more than just iso*lated effects: in spite of momentary pitch-lapses, his Arnold affords a proud sample of heroic *bel canto*, and a fully-felt account of the character that makes one tolerant of his shortcomings as an actor.

There are precise, distinctive contributions from Linda Kitchen (a lovely, unaffectedly boyish Jemmy), Ian Caley (Rodolphe), Roderick Earle (Leuthold) and a bald-pated Stafford Dean as the villain Gesler. Jane Eaglen, the new Mathilde, boldly unleashes her gleaming dramatic soprano – the subtler points of style may want polishing but the overall impact is formidable. Patricia Bardon's rich-toned Hedwige, also new, adds lustre to every scene in which she takes part.

This is a long, slowly-*unfolding opera of cumulative* magnificence, an opera that *matters*.

Max Loppert

Meanwhile, *Les Contes d'Hoffmann* is coming towards the end of its glittering run of performances. Since this production was new in 1980, there have been tales to tell of the various star singers who have shone in its multiple roles and this revival has been no exception, thanks to an almost ideal initial trio of leading ladies.

In the last few performances, however, it is the men who have claimed attention. Last week Patrick Power took over as Hoffmann.

It was an appearance made at short notice when the expected tenor (Neil Shicoff) fell ill, but carried out with no loss of dramatic involvement in the opera as a whole.

What Mr Power lacks in vocal weight, he gains in elegance; what he lacks in charisma as the youthful Hoffmann, he made up in the scenes of grizzled and drunken despair.

For charisma one had to turn instead to his adversary, played in all his guises at these last performances by Samuel Ramey. He makes the most of this quadruple role to give us more vividly coloured character-playing than he sometimes manages, especially as the satanic Dr Miracle, while still singing with the marvellous focus to the voice that has *always been his hallmark*.

The last performance is on Saturday. Highly recommended.

Richard Fairman

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ ATHENS

Concert Hall 20.30 Vladimir Ponkin conducts the New Symphony Orchestra of Moscow *in works* by Scriabin, Rakhmaninov and Tchaikovsky, repeated tomorrow. The orchestra plays an alternative programme on Sat and Sun (722 511)

■ BARCELONA

Gran Teatre del Liceu 21.00 Richard Bonynge *conducts* Giancarlo del Monaco's production of Maria Stuarda, with Agnes Baltsa and Daniella Dessi. Also Fri and Sat (412 1466)

■ BERLIN

Philharmonie Kammermusiksaal 20.00 Marcus *Creed conducts* the RIAS Chamber Choir in sacred music by Hindemith and Poulenc (West Berlin 2548 8232) **Deutsche Oper** 19.30 Fabio Luisi conducts a concert performance of Bellini's Beatrice di Tenda with a cast headed by Lucia Aliberti and Piero Cappuccilli, repeated on Sat and Tues. Tomorrow: Die Zauberflöte (West Berlin 3410 249)

■ BUDAPEST

Tonight's performance at the State Opera is Erkel's patriotic opera Bank ban. Tomorrow: Les Contes d'Hoffmann. Sat and Sun: *Gounod's Roméo et Juliette. The* Erkel Theatre has Nutracker tonight, Offenbach's operetta Orpheus in the Underworld tomorrow, and Cav and Pag on Sun. Ervin Lukacs conducts the Hungarian State Symphony Orchestra tomorrow at the Academy of Music, and there are folklore performances tonight at the *Buda Concert Hall* and the Folklore Centre, Fehervari ut 47.

● Tickets and information from the National Philharmonic office, Vörösmarty ter 1, and theatre box offices.

■ COLOGNE

MUSIC

Felicity Lott is the Marschallin in tonight's performance of Der Rosenkavalier at the Opernhaus, also Sat. Tomorrow: Heinz Spoerli's production of La Fille Mal Gardée. Fri: Harry Kupfer's production of Pelléas et Mélisande (221 8400). Michel Beroff *is soloist* in Ravel's Piano Concerto for the Left Hand in Friday's concert at the Philharmonie, in a Cologne Radio Symphony Orchestra programme (2801).

THEATRE

The Schauspielhaus has a Mauricio Kagel-Samuel Beckett evening tonight, plus plays by Dürrenmatt, Schiller, Strindberg and Heiner Müller (221 8400)

■ HAMBURG

OPERA

The Staatsoper has Turandot tonight. Fri: Lieder recital by *Gabriele Schnaut. Sat: John* Neumeier's ballet Requiem, with music by Mozart. Sun: Gerd Albrecht conducts first night of Günter Krämer's new production of Das Rheingold (351721)

THEATRE

This week's repertory at the Deutsches Schauspielhaus includes Chekhov's The Cherry *Orchard, Arthur Miller's Death* of a Salesman, Shakespeare's Romeo and Juliet and J P Donleavy's The Ginger Man (248713)

■ LEIPZIG

Tonight's performance at the Opernhaus is Sofia Gubaidulina's ballet MedeaLandschaften. Tomorrow: Les Contes d'Hoffmann. Fri: Der Zarewitsch (7168 273). This week's concerts by the Gewandhaus Orchestra (tomorrow and Fri) are conducted by Kurt Masur, and include works by Reger and Britten. Sun: Horst Neumann conducts the Leipzig *Radio Philharmonic in works by* Debussy, Stravinsky and Brahms (7132 252)

■ LONDON

Coliseum 18.15 Mark Elder conducts David Pountney's new production of Don Carlos, with Edmund Barham, Rosalind Plowright, Linda Finnie, Jonathan Summers and Richard Van Allan, also Sat. Tomorrow: Il barbiere di Siviglia. Fri: Orfeo (071-836 3161)

South Bank Centre 19.45 Final of the Donatella Flick Conducting Competition, with the Young *Musicians Symphony Orchestra:* over two days, the four finalists will conduct an aria by Mozart (soloist Jill Gomez) and an orchestral work drawn by ballot. The result will be announced at the end of tomorrow's concert. Tomorrow in Royal Festival Hall: Zubin Mehta conducts the LPO (071-928 8800)

■ NEW YORK

THEATRE

● Jake's Women: Neil Simon's play, starring Alan Alda, is set in a New York loft apartment and focuses on a middle-aged writer and six of the most important women in his life, some present, some only in his memory (Neil Simon Theater, 250 West 52nd St, 757 8646).

● A Streetcar Named Desire: Jessica Lange makes her Broadway debut as Blanche du Bois in the Tennessee Williams play. Currently previewing, opens on Sun (*Ethel Barrymore Theater,* 243 West 47th St, 239 6200).

● Return to the Forbidden Planet: Bob Carlton's play, dubbed Shakespeare's forgotten rock and roll masterpiece, is loosely based on The Tempest. Rock and roll superstars make special guest appearances at Fri and Sat performances (Variety Arts Theater, Third Ave and 14th St, 239 6200).

● Breaking Legs: Tom Dulack's sitcom about the colliding worlds of the New York mafia and Broadway theatre (Promenade Theater, Broadway at 76th St, 580 1313).

MUSIC

Alice Tully Hall 20.00 Guarneri Quartet with Yefim Bronfman. Tomorrow, Fri and Sat in Avery Fisher Hall: Tennstedt conducts the New York Philharmonic (875 5030)

Metropolitan Opera 20.00 Leonard Slatkin conducts *Giancarlo Del Monaco's* production of La fanciulla del West, with Placido Domingo, Barbara Daniels and Sherrill Milnes. Tomorrow: Parsifal (362 6000)

■ PARIS

Châtelet 19.30 Monteverdi *madrigals* conducted by John Poole, followed by Dallapiccola's one-act opera Il Prigioniero, conducted by Esa-Pekka Salonen and staged by Bernard Sobel. Repeated on Fri and Sun. Tomorrow: Endellion Quartet (4028 2840)

Salle Pleyel 20.30 Claus Peter *Flor conducts the Orchestre de* Paris and Chorus in Brahms' German Requiem, with Edith Wiens and Alan Titus. Repeated tomorrow and Sat afternoon. Fri: concert performance of Der Freischütz, with Karita Mattila. Sat evening: Valerie Masterson sings Ravel's Shéhérazade (4563 0796)

■ STOCKHOLM

Royal Opera 19.30 Simon Boccanegra. Tomorrow: Maria Stuarda. Fri: Arabella. Sat afternoon: John Neumeier's production of A Midsummer Night's Dream (248240)

Konserthuset 19.30 Leif Segerstam conducts the Stockholm Philharmonic Orchestra in Schnittke's Viola Concerto (Yuri Bashmet) and Hilding Rosenberg's Third Symphony. Repeated tomorrow (244130)

■ STRASBOURG

The Theatre National's production of Théophile de Viau's 17th century tragedy Pyrame et Thisbé has its final performances tonight, tomorrow, Fri and Sat (8835 4452). The Opéra du Rhin has a new production of Mussorgsky's Khovanshchina opening on Fri at the Théâtre Municipal (also Sun afternoon), with eight further performances till May 10 (8875 4823)

■ UTRECHT

Vredenburg This week's programme is devoted to sacred *music by Bach. Tomorrow: St* Matthew Passion conducted by Ralf van Vliet. Fri: St John Passion conducted by Frans Brüggen. Sun: Ton Koopman conducts the St Matthew Passion (314544)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel

0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV

2130-2200 (Tues) Media Europe – what's new in European media business

2130-2200 (Wed) FT Business Weekly – global business report with James Bellini

0830-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

Sky News

0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week - a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1800-1830 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday April 8 1992

Labour and the economy

IF THE polls are to be believed, Neil Kinnock will soon be at the head either of a minority Labour government or of one with a paper-thin majority. Evidence suggests that investors are no more than modestly disturbed. Are they right to be so?

Since the election campaign opened four weeks ago, the FT-SE index has fallen by some 120 points. This is a decline of only 5 per cent. Moreover, the valuation of corporate earnings remains quite high by the standards of recent years.

Meanwhile, sterling has drifted down by just 3 pfennigs, from DM2.87 to DM2.843. This decline also seems small, but the lower bound for sterling within the ERM is now only a whisker away. If a new Labour government were to be tested by the exchange markets, it should act decisively. A substantial increase in short-term interest rates is likely to have a more powerful effect on credibility than a small one.

For this reason – though not only for this reason – Labour's claim that "this election is a choice between a Conservative government paralysed by recession, and a Labour government determined to get on with building a recovery" is hollow. The flutters of sterling would only be the first of Labour's immediate problems. It would face two others.

Labour is committed to a £2.9bn increase in taxation on the relatively better off in 1992-93. This shock may well worsen the current recession, by falling most heavily on those in the best position to enter into the needed increase in borrowing. A hung parliament might help Labour to avoid this mistake.

Second danger

At the same time, a hung parliament is likely to exacerbate the second danger. Labour's manifesto is a paean to the glories of increased public spending, but the UK's public accounts are in no state to tolerate such indulgence. Come what may, Labour must remain resolute in its determination to spend no more than the very little extra that the country can now afford.

The near term may be difficult. But what of Labour's capacity to generate a more rapid recovery than the Conservatives over the next several years? Like the Conservatives, it is at the mercy of developments abroad. It could try to influence pay bargaining, but its proposals can only make a modest difference. Otherwise, the best it can do is to make its commitment to the ERM as credible as possible.

The best way to do this would be to make the Bank of England operationally independent. Mr John Smith should realise that, within the ERM, government control of monetary policy will be seen by investors as offering freedom only to depreciate. The result of the government control he wishes to retain can only be higher interest rates than are necessary.

Real choice

If the chances of medium-term recovery are no greater under Labour than under the Conservatives, economic prospects will depend on Labour's longer-term effects on the supply side. Here, at last, is a real choice: one between the market on the one hand, and a "partnership" between government and industry on the other.

Labour stresses market failure: too little investment; too little research and development; too little training; too little manufacturing; too many take-overs; too low wages; too uneven a regional development; and too little infrastructure. The answers are predictable: a pinch of coercion here; more public spending there; and a *soupçon* of guidance over there.

Neither in all its analysis nor in all its recommendations is Labour wrong. Yet it talks the language of the market as if it were a foreign tongue. Can Labour in office learn to talk the language of markets more fluently? Can it even realise how helpful greater reliance on markets and competition could often be to its cause?

In macroeconomic policy, Labour appears to be as bound by its commitment to the ERM as are the Conservatives. In the short term, the costs of proving that commitment are likely to be appreciable. In recompense, Labour promises that its more active approach to government will undo the coils now restraining British economic growth. The promise is appealing; its results are likely to be disappointing.

How to pay top executives

IS IT poetic justice, or plain foolishness, that has caused Anglo-Saxon big business to wait for an election year to shoot itself in the foot over the sore subject of executive pay?

The degree of self-injury is greatest in America, where years of granting astronomic pay packages to top managers, especially through stock options, has culminated in action by the Securities and Exchange Commission. This, in turn, has unleashed a spate of shareholder resolutions which, if passed, would improve disclosure by such giants as IBM and Kodak, and curb the incentive deals offered by Chrysler and others.

In Britain, the regular spring open season of attacks on top pay got off to a resounding start late last month, when the recently privatised British Gas revealed that its chairman had accepted a near-18 per cent rise last year, at a time of stagnant profits.

The company's defence, that it must pay highly in an international market for executives, was not well judged. Only where a company really does operate in an international executive market, or when a particular discipline such as marketing is in especially high demand, is such a rationale valid.

Given the continued reluctance of most UK companies even to declare the structure of their pay packages, it is not surprising that some now fear regulatory action – on both sides of the Atlantic, and regardless of which party is in power.

At present, only about a 10th of British companies even mention in their annual reports whether any performance-related incentive is included in the scanty remuneration figures which they report. A mere handful say whether this is an annual bonus, a three-year bonus, or a longer-term scheme such as stock options. Fewer still show how the package breaks down. Yet many companies pay all three – and other perks besides.

Inadequate disclosure

The inadequacy of most companies' degree of disclosure is rammed home by the readiness of a handful of leading companies – such as BOC, Grand Metropolitan and this year BP – at least to summarise their arrangements.

It is not enough to tell companies to decide top pay packages through remuneration committees consisting exclusively of non-executives. Yet this is the recommendation handed down by ProNed, the non-executive organisation backed by the Bank of England. If the Cadbury Committee on corporate governance contents itself with proposing such a half-hearted course of action, it will increase the threat of highly inappropriate government regulation.

Performance indicator

Instead, companies should be required to disclose details of all existing and proposed top pay packages to shareholders. This information should include the types of performance indicator to which the package is linked and – if the incentives are tied to corporate profit levels – whether they will fall as sharply as they rise. The disclosure process should occur well in advance of each annual general meeting, at which all packages should be voted upon.

Meanwhile companies which want to extend best practice should do three things. First, they should start to abandon the normal system of free stock options in favour of a long-term incentive programme which fosters a real sense of ownership – and the risk that goes with it. A new BP scheme is not only tied to the company's competitive performance, but the 140 senior managers who benefit from it also have to pay for a proportion of their share-linked "performance units".

Second, companies should make a reality of their claims to share "vision and values" with their employees. Instead of having one set of generous incentive programmes for the magic circle at the top, and a more stingy system down below, they should extend many of the incentives lower down – remembering that there is unlikely to be an international market for car park attendants.

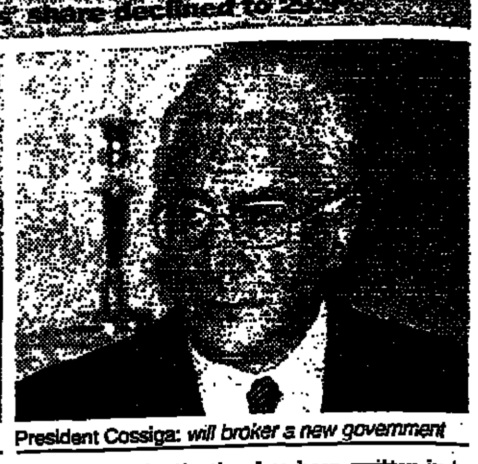
Finally, they should keep packages relatively simple. In the US many top packages seem written intentionally to confuse everyone except the beneficiary and the remuneration consultant. Such obfuscation gives shareholders little chance to exercise their due right to approve or veto the actions of management.

Italy's election: the Socialists' share of the vote fell to 13.6%; the Christian Democrats' share declined to 29.9%


Bettino Craxi: *Socialist*


Mario Segni: *Christian Democrat*


Giulio Andreotti: *Christian Democrat*


President Cossiga: *will broker a new government*

Italy must reform or face relegation within Europe, writes **Robert Graham**

Mandate to mend a broken system

The fall of the Berlin wall has claimed its last victim, Italy's Christian Democrat party.

The party's dominance of post-war Italian politics, unprecedented in Europe, relied in the last resort on its appeal as a bastion against the powerful Communist party winning power through the ballot box. The collapse of communism has robbed the Christian Democrats of this protective clothing.

Italian voters in Sunday's general election revealed the Christian Democrats to be a corrupt political machine, hungry for power but bankrupt of ideas, and led by an ageing elite which has lost touch with a groundswell of opinion clamouring for change.

With their support dropping below the psychological barrier of 30 per cent for the first time, an era has ended. The Christian Democrats, though still the largest party, can no longer exercise their extensive rights of patronage and orchestrate the political system to their advantage, which they have done for 46 years. Italy now faces a profoundly new political geography, and uncertainty as to who will form the next government.

The election result will take time to digest. But politicians realise that an agenda has been set by a combination of popular demand and the dictates of the European Community in Brussels. If Italy is to fulfil the obligations contracted at the Maastricht summit to converge with its EC partners, urgent and decisive measures are needed to reduce the country's huge public sector deficit, now approaching 11 per cent of gross domestic product, and to revive a stagnant economy which grew at 1.4 per cent last year, the lowest since 1983.

A precondition for such measures must be a government backed by a broad-based consensus from the political parties. This is only likely if common ground can be found for reforming the electoral system to favour larger government majorities. Last June's overwhelming endorsement of a referendum abolishing the much-abused system of multi-preference votes was the first signal. Two other referendums, proposed by Mr Mario Segni, one of the few new Christian Democrat faces, and introducing elements of a first-past-the-post system, are being considered by the courts. And a significant cross section of the new deputies committed themselves before the election to ensuring these reforms prosper.

The dangers of ungovernability are real. The country's complex system of proportional representation, grafted with the best democratic intention of accommodating every shade of opinion, has produced a parliament so fractured as to be almost unworkable. In Italy's 11th post-war legislature no fewer than 16 different parties will be represented in the chamber of deputies. Of these, 12 possess less than 6 per cent of the vote, and of the remaining four only the Christian Democrats have more than 20 per cent.

However, voters were well aware that they were stepping into the unknown on Sunday. The problem they confronted was the absence of a clearly defined opposition. Hence it was not surprising that votes were widely spread: nor that the greatest upset came in the north where the populist Lombard League (see below) burst on to the scene.

The latter stages of the election campaign devolved into a simplified version of "them" and "us". On one side were the Christian Democrats and their junior partners in the outgoing four-party coalition – the Socialists, the Social Democrats (PSDI), the Liberals (PLI) – arguing they alone were capable of managing the economy and reforming the electoral system.

On the other were nine groupings with a chance of serious parliamentary representation. These included such disparate forces as the neo-Fascist MSI, the small centre-left Republicans, the Lombard League, the Sicilian-based reformist movement The Network (La Rete), and the former communists split between the mainstream new Party of the Democratic Left (PDS) and the hardline Reconstructed Communism. Although they were united in wishing to break the government coalition, they had no common platform.

Their spoiling role worked, however, reducing the four-party coalition to 47 per cent of the vote. The coalition can muster a 16-seat majority in the 630-seat chamber, but on the admission of its own supporters it has lost the credibility to form a government, let alone to last a five-year term. The 73-year-old Mr Giulio Andreotti, the outgoing Christian Democrat prime minister, bears much responsibility for the party's slide from 34 per cent to 29 per cent. Mr Arnaldo Forlani, a potential prime minister, has offered his resignation as Christian Democrat party secretary in the wake of the result. Mr Bettino Craxi, the Socialist leader, has also lost face, as his party's vote fell below 14 per cent. He had previously said this would be the minimum necessary for accepting the job of forming the next government.

In addition to the damage done to the reputation of the main political figures in the outgoing government, too many contentious social and economic issues were ducked because they were liable to split the coalition. At the top of the list comes reform of Italy's generous state pension scheme, which has been under consideration for more than five years and is one of the main causes of the budget deficit.

Privatisation has been written in to provide significant funds to hold down the budget deficit this year but no party has been able to agree on what should be privatised and where the proceeds should go. The question of reducing aid to the south, which involves cutting political patronage, has been sidestepped, while a proposal to shake up the armed forces to produce a more professional military is on hold.

Any permutation of governing coalition to meet these challenges is now possible. Even the Christian Democrats, Socialists and former communists (PDS) could link up, in a group which would command the strongest cross-party support. But any of the new partners will demand electoral reform as its price for support and an end to the Christian Democrats' hegemony. A consensus of the main parties could decide that the most viable way forward is to treat the next parliament as a form of constituent assembly, exclusively concerned with initiating electoral reforms for a new legislature on which the electorate would vote within two years.

President Francesco Cossiga will have a significant role in the uncertain weeks ahead. He is determined to form a government as quickly as possible before his old mandate expires on July 3. His unpredictable nature, canny sense of popular sentiment and desire to knock heads together could produce an unpredictable coalition or even a temporary government of technocrats.

But in the last resort everything hinges on the ability of the politicians to recognise the seriousness of Italy's predicament. The Christian Democrats and their Socialist allies claim the commitment to Europe at Maastricht was the outgoing administration's greatest achievement. If they do not now show a sense of unity, Italy will fail to heal a dangerous north-south divide and risk being relegated to Europe's second division.

Angry voice of the north

By becoming the biggest party in Milan, the second-biggest in northern Italy and the fourth-largest nationwide, Mr Umberto Bossi's Lombard League is the clear winner from the polls, writes Haig Simonian.

Yet, in spite of its rise to prominence with 55 newly elected deputies, compared with one in the previous parliament, much about the League remains shadowy.

Its policies are vague. As a protest movement, the bulk of its platform is devoted to attacking the political establishment. Devolution for Italy's rich north takes pride of place. "An end to Roman robbers" and "Closer to Europe than to Rome" are two of the League's emotive slogans.

Fighting organised crime, the second part of the League's message, dovetails conveniently with the first. The governing parties' growing dependence on southern votes and their alleged links with criminal organisations play strongly on traditional northern prejudices.

According to the League, the governing parties have habitually "squandered" hard-working and honest northern taxpayers' money on wasteful, vote-gathering schemes in the south.

The League's message has struck a chord with a broad spectrum of voters in the north. Although middle-class in the main, supporters of Mr Bossi range from blue collar workers to successful private businessmen.

Support from industry, however, has been restricted to small and medium-sized businesses. Although big business broadly approves of Mr Bossi's calls for change, his populism has been hard for the country's industrial barons to swallow.

The League's newly elected deputies are a diverse group. Mr Giancarlo Pagliarini, elected to the senate, parliament's upper house, from the small town of Treviglio, is an accountant. Mr Luigi Roveda, elected from nearby Lecco, runs a small company.

The challenge now facing Mr Bossi is to prevent the movement from suffering the fate of so many other protest groups and breaking apart under the strain of electoral success and the need to devise coherent policies.

The party must also try to develop a stronger national appeal. Mr Bossi's conception of a devolved Italy based on regional groupings in the north, centre and south foundered on the poor results of the affiliated leagues in central and southern Italy. Their minimal showing may explain why Mr Bossi fell short of his target of 10 per cent of the national vote.

His biggest problem will be coping with success. Organisationally, the party is stretched. Mr Bossi is its only figure of national standing and finances are limited. The League will now have to build the apparatus of a large political party.

Such an achievement will not be easy. As one sceptical party member, emerging from his battered Peugeot, said last night. "If someone gives me a Mercedes, I have to know how to use it." That is the test now facing Mr Bossi.


Bossi: success brings challenge

Joe Rogaly

Farewell balanced books

If Labour wins, the eye of memory will fly back to 1964. The last time the trade unions' political arm turned the country around after 13 years of Conservative administration many of us expected miracles. There was optimism in the air.

This is no 1964. Mr Neil Kinnock is an uncertain quantity, Mr John Major an uninspiring one. Both are children of modest origins. In 1964, the then Mr Harold Wilson sold himself as the representative of modernity, progress and science. Lord Home, who very nearly beat him, appeared to be the personification of old-fashioned Conservatism: aristocratic, innumerate, stuffy, out of touch. He made an ass of himself when he used matchsticks in an effort to demonstrate how the economy worked.

Subsequent history suggests that the electoral mechanism, as is its habit, made suckers of the electorate. The success of the Wilson confidence trick showed how imperfect the judgment of the floating voter can be. For the country may have done better under Lord Home. It certainly lost its way under Labour. The seeds of the excesses of the late 1970s were sown during the lax governance of the 1960s.

This time, the disillusionment of erstwhile Conservatives may put Labour in. There appears to be a greater degree of disenchantment with the government than there is mistrust of the opposition. It is an inglorious moment in our political history. There is no gladness in the heart. This is not to say that Mr Kinnock is misleading the public. It would be better if he were. For what is particularly depressing about the prospect of a Labour government is what the Labour leader says about his party's programme – namely that it will expel the concept of the competitive market from the management of the public services. I hope he is not telling the truth.

If he is, the government that he may form on Friday could destroy the most valuable gift Mrs Margaret Thatcher bequeathed to the economy: a sense of how to manage money. England is a nation that has produced a few brilliant mathematicians and a great many arithmetical dunces. It took the International Monetary Fund to convince the Callaghan government that there is a relationship between cash inflow and cash outflow, and it took Mrs Thatcher to teach this important lesson to the country.

Before the then Mr Callaghan and cash limits, public expenditure was calculated in "real terms", or, as we used to call it, funny money. Before Mrs Thatcher, there was no direct connection in many peoples' minds between "the government's" money and their own. This innocent belief in the generosity of the Bank of Fairyland was not confined to the national accounts. It was an article of faith in the finance departments of nationalised industries, local authorities and public bodies of all kinds.

Sadly, the 1990s may see Britain struggling to return to fairyland accounting regimes

During the 1980s, Mrs Thatcher shattered that childish illusion. I fear that the sad experience of the 1990s may be of a Britain struggling to sink back into the accounting regimes of fairyland. The rot has already started: last autumn's pre-election public spending settlement under Mr John Major would not have been countenanced by his predecessor. It has been worsened by a campaign in which promises to spend have been thinly disguised by phrases such as "as resources allow", or "what the country can afford", reflecting the letter, if not the spirit, of Mrs Thatcher's teachings.

Do not mistake my meaning. The constraints imposed by membership of the exchange rate mechanism are a given. The route-lines of budgetary convergence within the European Community are set. These may prevent the governments of the 1990s from running amok. I am also aware of Labour's earnest intention to control public expenditure at the macro level: Mr Kinnock is determined to demonstrate that his renovated Labour party will not repeat the mistakes of the 1970s.

What concerns me is the potential for waste at the micro level. If Labour gets in, compulsory competitive tendering will be abolished, except as a "last resort". The NHS reforms, which should encourage the cutting of unnecessary costs, will be reversed. This is not replacing care with capitalism, as one small tale shows. On a radio phone-in yesterday, an ambulance driver had Mr Kinnock nonplussed. He spoke of a potential ambulance services trust. It would sell its skills as an in-house training unit and plough the money back. The Labour leader recovered after a while and said that would be ok as an extra, but not if the service depended on it.

In its talk of "underfunding" of the social services, Labour never shows awareness of the value of such little bursts of beneficial enterprise. It does not value competition. It has only recently become acquainted with markets. It talks often of spending, rarely of reducing expenditure. It has learned a great deal about public accounting since 1964, but on the evidence of this campaign not quite enough. Not yet.

Edward Mortimer

Down the aisle after a long, tortuous courtship

UK Tories and European Christian Democrats are teaming up

FOREIGN AFFAIRS

In the past few days the Tory election campaign has taken on a rather anti-European tone, with Prime Minister John Major warning that "the Lib-Lab left would not speak for Britain in Brussels, they would speak for Brussels in Britain", and Mr Kenneth Baker, home secretary, denouncing the Germans for their use of proportional representation.

Meanwhile on the Continent, the banner of Christian Democracy is looking faded. Yet by an ironic quirk this is the moment that British Toryism and continental Christian Democracy, after a long and tortuous courtship, have chosen to announce their nuptials.

Last night, in Strasbourg, members of the European parliament belonging to the Christian Democrat "European People's Party" (EPP) were to decide whether to admit their Conservative colleagues to their parliamentary group. Almost certainly they will have voted in favour, bowing to the wishes of Germany's Chancellor Helmut Kohl, who is said to regard the issue as having "a historic dimension".

"It is a long story, but I hope with a short end," says Mr Bernhard Sälzer, the senior German in the group, who has acted as Mr Kohl's representative. One of the protagonists in it is none other than Mrs Margaret Thatcher, despite her well-known suspicion of things European and her strained relations with Mr Kohl. Always sensitive to the realities of power politics, she was keen for her party to team up with the Christian Democrats, as the leading Conservative force on the Continent, back in the 1970s when she was leader of the opposition and when political parties throughout the EC were preparing to fight the first direct elections to the European Parliament in 1979.

It is the Christian Democrats who have been playing hard to get: not so much the Germans, who have always looked on Britain's Conservatives as natural allies, but the Belgians and Dutch, some of the Italians, and the Irish (Fine Gael). These parties take their "Christian" label seriously, and do not feel it hangs convincingly on British Toryism.

Most Christian Democrat parties have their roots in a "social Christian" doctrine which started as an attempt by the Catholic church to compete with Marxism on its own

ground, showing that one did not have to be an atheist to champion workers' interests. Although Christian Democrats have accepted the role of defenders of capitalism against socialism, they place more emphasis than Conservatives do on the need to tame capitalism with appropriate state intervention, and to ensure a harmonious relationship between "the social partners" – a phrase which baffled Mrs Thatcher until it was translated into more idiomatic English as "the two sides of industry", and even then was not much to her taste.

The campaign notwithstanding, Mr Major is regarded as a better European than Mrs Thatcher

Most Christian Democrats are keen Euro-federalists. Among such people, Mrs Thatcher is hardly the most popular European politician. The Tory MEPs had little chance of being admitted to the EPP group so long as she was their party leader.

So they had to form a separate group, with the small Danish Conservative party as their sole ally. This began to look slightly more convincing when the Spanish Alianza Popular joined it in 1986; and Sir Christopher Prout, who became the group's leader in 1987, hoped at one time to draw in the French Gaullists as well. But in 1989 disaster struck. In the European elections of that year the Conservatives lost one-third of all their seats in Britain and two of the four they held in Denmark; and, as a crowning humiliation, the Spaniards deserted to the EPP. Membership of the group fell from 66 to 34.

Meanwhile, with the coming into force of the Single European Act, the European Parliament was gaining in powers and prestige; national parties were coming to attach more importance to the balance of political forces on the EC level. An influx of new Labour MEPs, more dedicated than their predecessors to working within the Socialist group and using the parliament to promote their own political and social philosophy, tipped the balance of the EC towards the left. Both Conservatives and Christian Democrats became more aware of the importance of working together.

Sir Christopher decided the time had come for a new approach to the EPP, and won Mrs Thatcher's support for an application to join their group. But these were the years after the Bruges speech, when Mrs Thatcher was saying "no, no and no" to European monetary union. The application was put on ice until after Mr Major became prime minister and proclaimed his desire to put Britain "where we belong – at the very heart of Europe".

The current campaign notwithstanding, Mr Major is regarded on the Continent as a much better European than Mrs Thatcher; and indeed better than the Gaullists, who are now threatening to block French ratification of the Maastricht treaty. The Gaullists have not yet applied to join the EPP, although their ally, former President Valery Giscard d'Estaing (who himself defected to the EPP from the Liberals last year), would like them to.

Even the "social chapter" which Mr Major insisted on excluding from the Treaty of Maastricht, obliging his 11 partners to adopt it as a separate protocol, is not seen as an insuperable division. Christian Democrats believe the chapter in its present form is no more than a set of minimum standards which British industry could easily meet and that the UK, by accepting it, would be better placed to influence its future development. Privately most Tory MEPs agree. But there is a danger that the rift will widen if the social chapter is accepted by a Kinnock government, and the Tories in opposition react by beating an anti-European drum.

In today's Europe, so-called Socialist parties have mostly accepted free-market and monetarist policies, while in several countries voters, scared by unemployment and immigration, are defecting to xenophobic populist parties. That leaves, in Mr Giscard d'Estaing's view, less scope for the uncompromising free-market economics of a Thatcher. "Now we are obliged," he says, "to incorporate more social preoccupations. That's what we're trying to do in France. That's why we joined the EPP last year ... We must become centre-right, move closer to public opinion, and put more 'social' in our market economy. We need a combination of tolerance and firmness – notably on immigration – and a positive view on European union."

Probably that is a fair description of what Mr Major is trying to do as well, although he might not use quite those words. On the Continent, at any rate, that is what his party's alliance with the EPP will be taken to mean.

OBSERVER

Rölling along

■ Successional goings-on at Dresdner Bank have been more than unusually delphic this time round: the next chief executive has been named only days after insurance giant Allianz's complicated shareholding links with Germany's second bank finally provoked the cartel authorities to order a cut in its stake.

The choice of 56-year-old Jürgen Sarrazin – who takes up the reins after the 1993 agm – has surprised many. At Dresdner since 1960, and now responsible for international commercial banking, Sarrazin shares with his predecessor, Wolfgang Röller, origins in the eastern state of Saxony – although the tall polished banker displays less of the legendary Saxon striving ambition than the physically less imposing Röller.

He has been labelled a compromise candidate, whose main offering seems to be continuity. Younger and fresher alternatives might have been finance director Bernd Voss, 52, or Bernhard Walter, 50, who has masterminded the successful push into the east.

However much Dresdner protests that Allianz's shareholding confers on the bank more, rather than less, independence, it seems it may have been rushed into the question of succession by other events. The departure upstairs of Röller, 62, to head the Dresdner supervisory board from May 1993 may not be unconnected with the arrival this year of the steely Wolfgang Schieren – Allianz supervisory board chief – as a candidate for Dresdner's supervisory board. Letting the matter ride might have helped Schieren inhabit the position that is now securely Röller's.

The Dresdner/Allianz relationship was always drawn along by competition with the numero uno of German banking, Deutsche. Being number two certainly has its complications.

Fobbed off

■ The word "retirement" has just been given a whole new meaning by Midland Bank. When Sir Kit McMahon gave up as its chairman and chief executive last year, he said he was retiring. But his departure brought him more than the customary gold fob watch and pension.

Midland's accounts show he was paid £489,187 "in respect of the termination" of his service agreement and a further £60,813 was paid into his pension scheme.

The bank says the payment was properly determined by a committee composed entirely of non-executive directors and chaired by Sir Patrick Meaney, whose services as a non-exec are in high demand among leading companies.

Moreover McMahon was "retired early" and therefore compensation was quite in order. It is an open secret in the City of London that the Bank of England encouraged his departure, following the collapse of his hopes that Midland would merge with Hongkong and Shanghai Bank.

Now, however, Midland is once again in talks with Hongkong and Shanghai, which are expected to lead to the British bank being taken over. Curiously there is no mention of these talks in the report and accounts - not quite best corporate governance practice.

Champion

■ It may not be one of the world's great sporting events, but the 1992 National Tennis Championships of Cambodia have provided a heartwarming spectacle for the two dozen people who turned up to watch.

"I'm saving this egg for October"

For the first time in years, the handful of players still alive and in the country after the genocide committed by the Khmer Rouge are competing with plenty of new balls and without borrowing each other's ageing tennis rackets, thanks to the sponsorship of Wilson Sporting Goods' Singaporean operation.

Under UN guidance, Cambodia is slowly returning to normal after two decades of civil war, but life is still pretty tough. "There are not many of us left," is how one veteran of the Khmer Lawn Tennis Federation founded in the 1930s puts it. "And you have to make economies even to buy a pair of socks." The singles players paid 200 riels – about 15p – to enter the competition.

"Nobody was playing tennis after the Pol Pot period," recalls Yi Sarun, singles champion in 1974, the year before the Khmer Rouge overran the capital. "After 1984 people began to play again using old rackets and makeshift nets."

A few young players are on the rise, but it is a sad reflection of the devastation endured by his country that this year's national champion – and winner of a graphite racket and a can of tennis balls – is the self-same Yi who won 18 years ago.

Include her Out

■ It seems to Observer that the new edition of Cassell's Concise English Dictionary is at risk of being handbagged.

Updated from the 1989 edition, the 1,664-page tome currently in manuscript form contains definitions of recent additions to the English language ranging from Cardboard City to Outing – not to mention Maggie Thatcher's best known accessory redesigned for use as a transitive verb.

Cassell is also unwisely parading the fact that it is specially holding the presses until after April 9 in order to be able to include an indispensable extra appendix detailing a "full listing of the new parliament".

Questioned as to what conceivable use such a list would be in the event of son of handbag's successors struggling for weeks and months to form a stable government, Cassell gives the reply it presumably considers politically correct (yes, that's in there too). "That's just one of those things," says the spokesperson.

Kick-back

■ Readers taking the long-term view might like to know of the Japanese credit-card company Nippon Shinpan's latest extension to the privileges of its gold-card holders. The new benefit – reduction of personal debts by up to £8,734 – comes into force on the holder's expiry, subject to autopsy.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Weakness of science and wealth creation link

From Dr D A A Fagandini.

Sir, I hope that your editorial on the blighting of British science these past 10 years and more ("Science Matters", April 2) will be widely read and pondered. While science everywhere always clamours for funds, there being an infinite number of questions on the road to a Theory of Everything, it is a fact that the UK has suffered more than most other developed countries over the past decade.

The UK has no minister for science because only a very small minority has any understanding of the relationship that should exist here, as it does elsewhere, between scientific inquiry and wealth creation. As you imply, the relationship is non-linear and hence complex. But one aspect is abundantly clear, namely that only wealthy countries can seriously engage in serious science.

The UK undoubtedly was, until recently and maybe still is, second to none in the quality of its scientific community and of the work it undertook. The weakness that is now being exposed, is the persistent delicacy with which academe fingered the potential of its findings.

Material gain was, and still is, demeaning to too many of those dedicated to knowledge for its own sake. The consequences and ramifications of this most honourable posture were negligently unforeseen for a very long time. So now we have, not only a rack of ministers and would-be ministers with no understanding whatsoever of the role that science should play in society, and not only a clutch of main board directors similarly maimed, but also two or more generations of young people, trudging through an education system that has eschewed anything that looks difficult. Most certainly they will not be able to contribute in a significant manner to providing the wherewithal for academics to pursue their aims.

This is indeed an unhealthy state of affairs and one can only grimace at the tenacity of those who sing the praises of "jewels in the education crown" when it is all too obvious that the excellence the system can provide for the few will ensure that they remain, for their whole working lives, grossly underfunded. What academics must now urgently attend to is just as obvious.

D A A Fagandini,
6 Alleyn Park,
Dulwich,
London SE21 8AE

EC 'ignores' issues on fish conservation

From Mr Fredrik S Eaton.

Sir, As reported by David Gardner ("EC urges Canada to face up to over-fishing problem", April 2), the European Commission is attempting to avoid its responsibility for the depletion of fish stocks off Newfoundland. In fact, the Commission has consistently failed to accept and abide by quotas set by the Northwest Atlantic Fisheries Organisation (NAFO), of which the European Community is a member, in spite of its own high-minded rhetoric about supporting "the creation of regional fisheries organisations and the strengthening of the existing ones".

The facts about European Community fishing in the NAFO area are clear and damning. For example, for the period 1986-1990, NAFO quotas for EC fleets for ground-fish totalled 96,377 tonnes. The EC reported catches by the Spanish and Portuguese fleets of 359,007 tonnes. The EC overfished its quotas by at least 262,630 tonnes according to EC records. Canadian estimates are much higher and a considerable quantity of this catch consists of small fish taken by undersized nets before they have a chance to reproduce. The problem is clearly not one of 20,000 tonnes of fish as stated by EC Fisheries Commissioner, Mr Manuel Marin, in your article.

The EC continues to ignore important NAFO conservation decisions, including a moratorium on fishing for Northern cod outside the Canadian 200-mile economic zone. During 1990, there were 130 EC vessels fishing off Newfoundland, in 1991 there were 149. On the other hand, Canada has responded to the fishery crisis by suspending the offshore fishery for Northern cod for the first six months of 1992. There are no Canadian vessels fishing for Northern cod while the EC continues to over-fish. Mr Marin asks for the same treatment as Cuba; Cuba abides by its NAFO obligations. Why doesn't Europe?

Fredrik S Eaton,
High Commissioner for Canada,
Macdonald House,
One Grosvenor Square,
London W1X 0AB

Lloyd's as tax hedge

From G N M Mellersh.

Sir, To a member of Lloyd's who has suffered crippling losses, the advent of a Labour government would indeed be a double whammy ("Labour: who wins and who loses?", April 5), but other Names able to trade through the present difficulties will almost certainly find their membership proving to be a useful hedge against Labour's tax plans.

Historically, membership of Lloyd's has always been of particular benefit in eras of high taxation, so should the worst happen on Thursday, those with the necessary means would be well advised to consider whether membership was appropriate to their circumstances.

G N M Mellersh,
47 Quarrendon Street,
London SW6 3ST

Planning

From Mr J F M Pickthorn.

Vanessa Houlder (Property Market, April 3) has fallen into the trap of describing Docklands as *laissez-faire*. Rates holidays and tax allowances are not *laissez-faire*, they are *dirigiste*. For example, there has been no pension fund investment in Docklands – why invest in such a risky location if you do not need to save tax?

Regional policy has been a proven failure since the Second World War. Left to the free market and a liberal town and country planning policy, Docklands would have been quite different.

James Pickthorn,
Kinney & Green,
5 Laurence Pountney Lane,
London EC4R 0BS

The good manager not necessarily a good director

From Mr Bob Garratt.

Sir, Your report on the Cadbury Committee is timely (Management: "Getting directors on board", April 2). The issue, though, is not just "corporate governance" but the selection and training of directors. There is a huge difference between managing and directing. Wise companies are beginning to recognise this, and are finding that good managers do not necessarily make good directors. This challenges the current notion of a manager's career progression.

Surveys of directors by the Institute of Directors and myself have both found that over 90 per cent of directors, nationally and internationally, have had no training or development in directing. The areas of formulating policy, strategic thinking, supervision of management, and accountability to stakeholders, are just beginning to be recognised as providing full-time work for directors. The new centre for director development at the IoD is heavily subscribed with people keen to understand what direction-giving is all about. This is an area in which Britain leads the world.

Bob Garratt,
3 Beresford Terrace,
London N5 2DH

FINANCIAL TIMES
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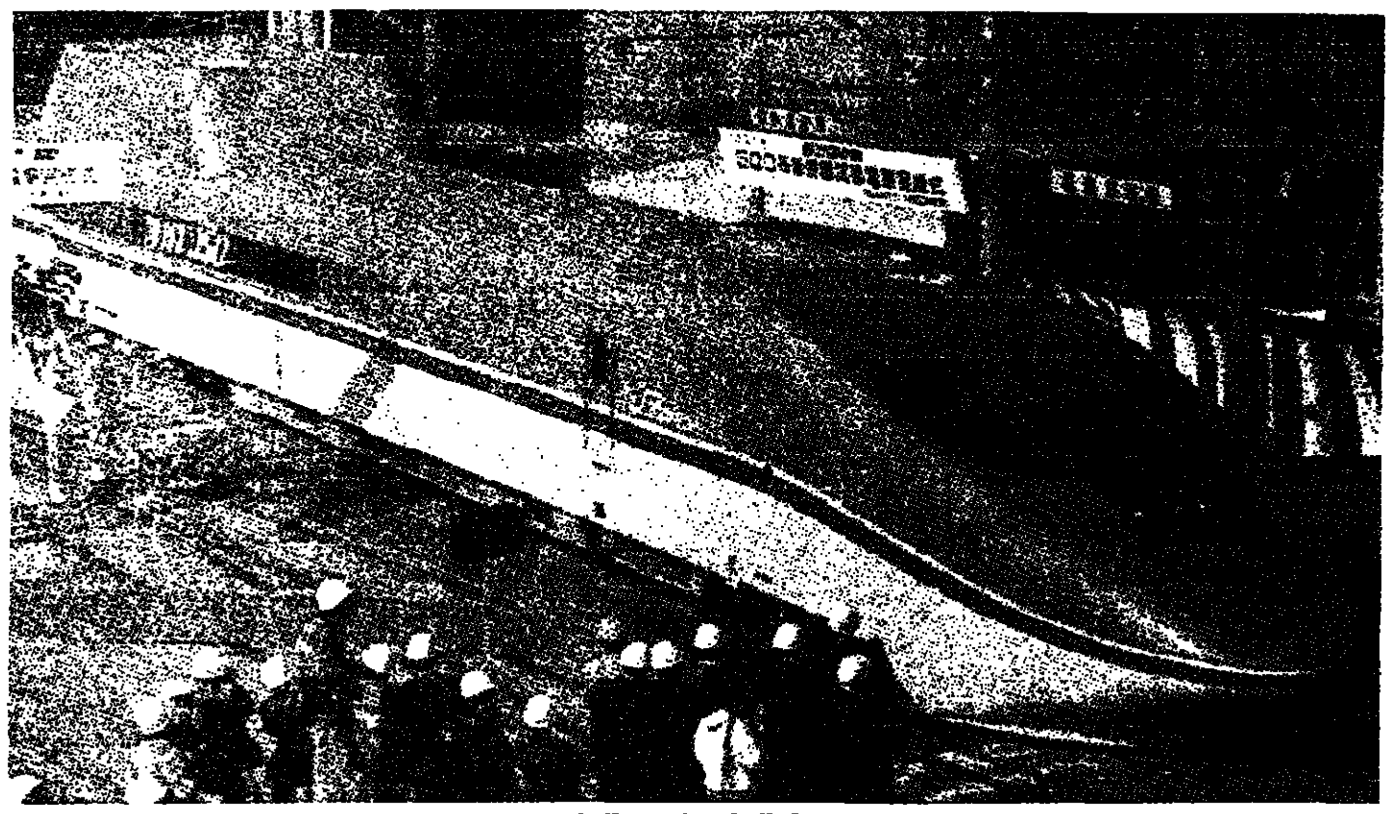


An experimental prototype of the latest Japanese "bullet train", built by West Japan Railway, is rolled out in Kobe yesterday. The new train, named the Win 350, is designed to travel at a maximum speed of 350kmh (217mph).

Fujimori to give military a free hand

By Sally Bowen

THE PERUVIAN army is poised to crack down on guerrillas and drug traffickers following President Alberto Fujimori's dissolution of Congress in favour of a military-backed "government of emergency and national reconstruction".

Troops were reported yesterday to be on alert in the Upper Huallaga Valley, north-east of Lima, where Sendero Luminoso, the Maoist guerrilla group, and drug traffickers have long held sway.

Meanwhile the crackdown on Peru's press intensified, with the closure of the leading news magazine Caretas, as it became clearer that the opposition American Popular Revolutionary Alliance (Apra) was the key target of Sunday night's government-armed forces strike.

Former Apra interior and economy ministers Mr Agustin Mantilla and Mr Abel Salinas have been arrested along with leading Apra trade union figure Mr Luis Negreiros. Mr Alan Garcia, the former president who was recently re-elected Apra secretary general, is reportedly in hiding.

The armed forces – underpaid, ill-equipped and repeatedly accused of human rights violations – have long been agitating for a freer hand in dealing with Peru's two principal subversive groups.

"President Fujimori is obsessed with achieving the pacification of Peru," said a political analyst in Lima. "He sees insurgency as the main stumbling block to attracting foreign investment and believes that only by giving the army its head will he achieve this."

Mr Fujimori lamented the "lack of international comprehension" of his actions in a speech on Monday night but hoped this would change when his measures were fully understood.

"This is not a traditional coup d'etat but a change of course which reflects the true aspirations of the Peruvian people," he said.

However, international condemnation of Peru's actions intensified yesterday. President George Bush ordered suspension of some $320m in US economic and military aid to Peru, according to an official. Only humanitarian aid would continue.

Mr David Mulford, US treasury under-secretary for international affairs, said at the meeting of the Inter-American Development Bank in Santo Domingo that the US might vote against new multilateral aid for Peru.

Peru raises spectre of bad old days

Stephen Fidler assesses the president's decision to dissolve the Congress

THE dissolution of Peru's Congress by President Alberto Fujimori, two months after a failed military coup in Venezuela, has re-awakened images of Latin America's autocratic past.

The Peruvian president's apparently extra-constitutional act also cast a pall over the general air of optimism surrounding the annual meeting in Santo Domingo of the Inter-American Development Bank.

The meeting yesterday celebrated an important debt breakthrough for Argentina, the region's third largest debtor after Brazil and Mexico, but was left pondering the challenge to democracy in the region posed by the economic reform movements that have swept the continent.

However, the air of a return to the bad old days is more apparent than real. Latin America, unlike in the 1970s, is overwhelmingly a democratic continent. The Rio Group of Latin governments joined the widespread unequivocal international condemnation of Mr Fujimori's move.

"It's become very hard to argue in Latin America that you are taking extra-constitutional action for a good cause," said one official in Santo Domingo.

There is a signicant similarity between Peru and Venezuela – in all South America, they have arguably the most underdeveloped political systems. One academic in Washington last week described Venezuela as "a city state with an oil well". The idea of nation is very weak in Peru.

However, an unravelling of the events in Peru and Venezuela, where a high level of anxiety continues about further military challenges to the government of President Carlos Andrés Pérez, shows important differences.

The Venezuelan coup attempt was triggered in large part by special factors in the military, largely unrelated to the government's economic programme supported by the International Monetary Fund.

Events may yet derail the programme, but there appears to be a strong realisation in government that there is no "free lunch". In other words, if petrol prices are kept low to satisfy perceived political pressure, there are costs to other parts of society, either in inflation or in reduced spending.

On the other hand, if Mr Fujimori's statements are to be believed, the actions of this elected leader were taken to defend and deepen his economic programme. The condemnation of his move externally contrasts strongly with the apparently favourable reaction inside the country.

Nonetheless, Mr Fujimori's attempt to deepen economic reform may well be frustrated by the suspension of aid and other financial and technical assistance from important donors, particularly the US and Japan. Unless he moves quickly to restore constitutional order, Peru risks becoming as isolated internationally as it was under the populist government of President Alan García which ended in 1990.

Unless his action was meant either to pre-empt the army or to be very short-lived, Mr Fujimori may have miscalculated. He has a reputation as a lonely and volatile man: outbursts at the recent Latin American drugs summit in San Antonio, Texas, surprised other leaders. "Fujimori is no Machiavelli," said one Peruvian in Santo Domingo yesterday.

Italy faces uncertainty

Continued from Page 1

expedite the process, putting a government in place before he leaves office on July 3.

Yesterday five possible combinations of government were being advanced:

- The outgoing government of Christian Democrats, backed by the small Republicans (PRI) who have previously been partners.
- A reinforcement of this five-party coalition with the Greens to offer a broader appeal.
- A strong cross-party coalition, breaking new ground by combining the Christian Democrats and Socialists with the mainstream former communists, the Party of the Democratic Left (PDS).
- The addition of the Lombard League to the outgoing coalition, accounting for 57 per cent of the vote. Many Christian Democrat and Socialist supporters deserted to the League and could back such a combination. But Mr Umberto Bossi, the League leader, is demanding major institutional reforms.
- A re-run of the discredited four-party coalition, whose main purpose would be to prepare the country for fresh elections.

Russia steps up row over Black Sea fleet

By Chrystia Freeland in Kiev and John Lloyd in Moscow

THE ROW between Russia and Ukraine over possession of the Black Sea fleet escalated dangerously yesterday when Russia issued a decree claiming nominal control.

Under the decree, signed by Russian President Boris Yeltsin, the fleet will be funded by Russia but will remain under the joint military command of the 11-nation Commonwealth of Independent States.

The Russian move followed an identical decree issued by Ukraine earlier in the week and raised the prospect of the fleet's commanders being forced to answer ω two conflicting authorities.

Marshal Yevgeny Shaposhnikov, head of the Commonwealth of Independent States armed forces, told the Congress of Russian People's Deputies yesterday that the decree would put the fleet under the jurisdiction of Russia, though "operational control" would still be vested in the CIS.

Admiral Igor Kasotonov, the fleet's commander, warned against "parallel structures of command."

The earlier decree signed by Mr Leonid Kravchuk, the Ukrainian president, takes the fleet under the Ukrainian Defence Ministry, and brings all strategic nuclear forces under Ukrainian administrative control, though operational command is to remain with the CIS.

Mr Yeltsin told the Congress that the Russian army would take over all CIS forces in other republics and abroad (in Poland and former East Germany) – confirming an agreement reached by the praesidium of the Russian parliament at the weekend.

Although Mr Yeltsin did not say so, it is clearly envisaged that the strategic forces will also be put under Russian command, threatening further confrontation with Ukraine.

Praising the decision to take the CIS forces nominally under his command under Russian control, Marshal Shaposhnikov said that it would raise morale and confirm Russian statehood.

Coup takes place at GM

Continued from Page 1

agement approach to remove excess costs".

The board, which said its actions were approved by Mr Stempel, has also demoted the company's chief financial officer, Mr Robert O'Connell, who moves to head GM's finance arm. He is replaced by Mr William Hoglund, formerly in charge of components operations.

The moves were welcomed on Wall Street, where Mr Smith and Mr Hoglund are highly regarded but Mr Reuss has long been unpopular. Analysts said the shake-up should accelerate GM's existing restructuring plans and might make them more radical.

They added that the changes greatly increased the likelihood that Mr Smith would succeed Mr Stempel when he eventually retired as chairman.

Separately, the company yesterday named Mr Louis Hughes, the 48-year-old chairman of its Adam Opel German subsidiary, as president of GM Europe in place of Mr Robert Eaton, who last month joined US rival Chrysler as heir-apparent to its chairman, Mr Lee Iacocca.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	13	55	Frankfurt	S	11	52	Madrid	F	12	54	Nicosia	F	21	70	Tenerife	F	16	61
				Brussels	C	12	54	Geneva	F	9	48	Majorca	F	15	59	Oporto	C	13	55	Tokyo	C	11	52
				Budapest	S	11	52	Gibraltar	F	19	66	Malaga	S	21	70	Oslo	S	7	45	Toronto †	F	5	41
Ajaccio	F	13	55	Buenos Aires	R	19	66	Glasgow	C	9	48	Malta	S	14	57	Prague	S	9	48	Tunis	F	18	64
Algiers	F	14	57	Cairo	S	33	91	Helsinki	C	5	41	Manila	F	36	97	Reykjavik	Sn	0	32	Valencia	F	20	68
Amsterdam	F	13	55	Cape Town	S	27	81	Hong Kong	C	22	72	Melbourne		–	–	Rhodes	R	16	61	Venice	F	14	57
Athens	F	18	64	Caracas	F	31	88	Innsbruck	F	9	48	Mexico City	C	25	77	Rio d'Janeiro	C	38	100	Vienna	S	10	50
Bahrain	S	23	73	Casablanca †	F	15	59	Inverness	R	9	48	Miami †	F	22	72	Rome	F	14	57	Warsaw	C	7	45
Bangkok	F	36	97	Chicago †	C	8	46	Islamabad	C	24	75	Milan	F	11	52	Salzburg	F	9	48	Washington †	C	9	48
Barcelona	C	11	52	Cologne	S	13	55	Istanbul	R	14	57	Montreal †	F	3	37	S'Francisco †	S	10	50	Zurich	S	9	48
Beijing	C	11	52	Copenhagen	F	9	48	Jakarta	R	32	90	Moscow	C	6	43	Seoul	S	19	66				
Beirut	S	24	75	Corfu	F	16	66	Johannesburg	F	23	73	Munich	C	8	46	Singapore	S	32	90				
Belfast	C	8	46	Dallas †	Fg	9	48	Lima	F	28	82	Nairobi	F	27	81	Stockholm	C	4	39				
Belgrade	F	8	46	Dublin	C	8	46	Lisbon	C	16	61	Naples	F	15	59	Strasbourg	S	12	54				
Berlin	F	12	54	Dubrovnik		–	–	London	C	10	50	Nassau	C	24	75	Sydney	S	26	79				
Biarritz	C	9	48	Edinburgh	C	7	45	Los Angeles †	S	14	57	New Delhi		–	–	Taipei	F	23	73				
Bombay	S	32	90	Faro	C	16	61	Luxembourg	S	12	54	New York †	C	9	48	Tangier	C	18	64				
Bordeaux	R	11	52	Florence	F	14	57	Madeira	F	21	70	Nice	F	15	59	Tel Aviv	S	27	81				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

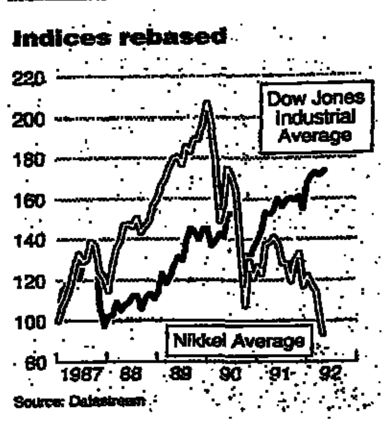
Tokyo's vicious circle

It is hard to believe that, as recently as 1987, the market capitalisation of NTT was greater than that of the entire German stock market. By yesterday, the Nikkei had fallen 23 per cent since the start of the year and was still apparently without a floor. The abiding problem is bank stocks, which fell 7 per cent yesterday alone. Even so, they are trading at a slight premium to the market multiple compared with a traditional discount of some 20 per cent. That suggests the sector's correction has further to go, especially since the banks have still to sort out the bad debt problems created by falling property values.

After adjustment for accounting differences, export-related sectors like electricals look cheap compared to their overseas equivalents. Unfortunately, worries about the financial sector look like continuing to undermine confidence in the market as a whole, not least because the banks may yet have to sell industrial company shares to rebuild core capital after property loan losses.

Ultimately, it looks as though the Japanese authorities will have to find a way of supporting the banks and arresting property deflation. The banks are already turning to subordinated debt from life insurance companies to offset the effect of falling share prices on their Tier 2 capital. This compounds the problem, as the insurers sell bank shares to finance the loans. It has also eaten into the insurers' appetite for US Treasury securities, contributing to the 50 basis point rise in the long bond yield this year. It must be a source of concern to governments with deficits to finance that the world's largest saver is developing such claims on its own resources.

FT-SE Index: 2404.2 (+3.3)



Tesco

In many ways, Tesco's full-year figures represent another remarkable achievement. Operating margins have risen yet again, even in the more difficult second half. Sales per employee are up 12 per cent, profits per employee 20 per cent. And, it seems, better times are coming: "for us", the company says, "the recession is moving away". This may seem slightly at odds with the fact that its hugely ambitious expansion programme is still enjoying falling land prices and construction costs. But that may be a matter of leads and lags in a consumer-driven recovery, in which case Tesco is getting the best of both worlds.

The snag is that even in the supposed upturn, Tesco may be enjoying no underlying volume growth at all. Current like-for-like volume, it seems, is up by some 0.5 per cent. But all of that might be attributable to the one-off effect of Sunday opening. Judging by last year's figures, too, the increase in sales per square foot is slowing sharply. The 20 per cent rise in last year's earnings, in fact, owes a good deal to recessionary cost-cutting and an abnormally low tax charge. This year's earnings growth will doubtless continue in double figures, in which case a prospective p/e of 12 or so might not seem too demanding. But as the market has come to realise, the outlook for the grocery trade further into the decade is a good deal riskier than it seems.

Italy

There are two possible reactions to Italy's fragmented election result. One is excitement that the old order has been broken, that the humbling of the Christian Democrats will actually hasten electoral reform, reduce the size of the public sector and increase the hitherto snail-like pace of privatisation. The other is apprehension that the drawn-out process of inter party negotiations – followed perhaps by fresh elections – will further delay attempts to tackle the deficit and bring the country into line with the monetary union disciplines prescribed by the Maastricht summit.

Judging by yesterday's 2 per cent fall in the Comit index – which itself followed a weak performance in the month leading up to the poll – the market seems inclined to the gloomier view. A longish period of reflection looks inevitable, while the dwindling chances of a new government being led by Mr Craxi – the Socialist leader with a reputation for getting things done who was prime minister when local equities spectacularly outperformed in the mid 1980s – will hardly help short term sentiment.

Given the relatively small size of the domestic mutual fund industry – and local investors' continued preference for bonds – Italy badly needs to rekindle the enthusiasm of foreigners. Bourse reforms have failed to make much outside impact, while the recent spate of poor company results is hardly an inducement. The market remains attractive for individual stock pickers, but bigger international fund weightings must await clearer evidence of a political sea change.

Small companies

Yesterday's announcement by the London Stock Exchange of improvements in the trading mechanism for shares in 120 smaller companies was a reminder that problems at the less liquid end of the market are still largely unsolved. After a debate worthy of the Taurus settlement project, elaborate plans for a system of sole traders for all but the biggest 250 stocks have apparently been scaled back to a pilot scheme involving a mere handful of companies. The wider proposal might have suited today's market-makers, but it appeared worryingly uncompetitive for investors, so perhaps its demise is just as well.

Meanwhile, institutions wanting to make substantial investments in smaller stocks continue to deal with companies' brokers rather than market-makers. The brokers act as the equivalent of old-fashioned jobbers and arrange transactions on a matched bargain basis: prices on the electronic trading screens are useful for reference only. The exchange would clearly like the whole issue to disappear but there is the awkward matter of its commitment to all companies which pay their listing fees.

Owners Abroad

Latest on director share-dealings: at the end of last month the chairman of Owners Abroad, the high-flying holiday operator, sold 690,000 shares in the company at 108p. The buyer was the company itself, for its employee share scheme. The shares closed yesterday at 89.5p, down 17 per cent in the space of eight days.

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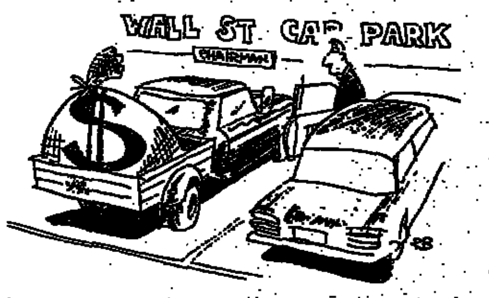
INSIDE

Heron faces call on £450m bonds

Heron International's financial problems worsened yesterday when the property group's bonds were called into default by bondholders and a lead manager of the bonds. Bondholders can now demand immediate repayment of principal, totalling £450m ($785.5m). Page 18

Bulging pay packets

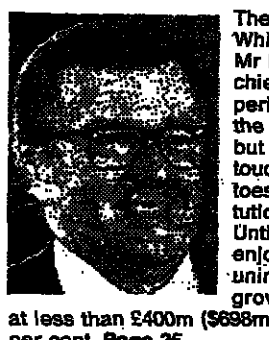


Multi-million dollar salary bonuses are back in fashion on Wall Street. At Merrill Lynch, Mr William Schreyer, chairman, picked up almost $6m for the company's best-ever year, and he could earn another $10m or more from stock options. Patrick Harverson reports. Page 21

S Africa suffers post-poll blues

The euphoria which accompanied the referendum victory in South Africa three weeks ago has been replaced by a nervous mood on the Johannesburg Stock Exchange. Back Page

Frostbite at Whitbread



The troubles besetting Whitbread, according to Mr Peter Jarvis (left), chief executive, are peripheral: the body of the business is healthy but there may be a touch of frostbite to the toes. Its financial constitution remains sound. Until this year it had enjoyed 16 years of uninterrupted profit growth. Net debt stands at less than £400m ($698m) and gearing at 16 per cent. Page 25

Canada's last shot

Since 1989 Canada has waged a campaign against EC vessels fishing immediately outside its territorial limit, accusing them of depleting stocks. The war of words has intensified before the Earth Summit in Rio de Janeiro in June. "Rio really is our last shot to resolve this by the diplomatic route," says Mr John Crosbie, fisheries minister. Page 26

Betting on capital markets

Individual investors in Switzerland have been quick to take advantage of a scheme enabling them to bet on a capital market without risking their own capital. Page 22

Shoe on the other foot

Charles Jourdan, the French classic shoemaker, has been taken over by Dickson Concepts, a Hong Kong retailing group. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana Ind	694.5	+	8.5
Bayer Ver'nsbk	422	+	7
Bilfing Berg	1070	+	15
Fg Kugelfischer	367.5	+	5.5
Falls			
Henkel Prf	621	−	9
Philips Kommun	561	−	9

NEW YORK ($)

Rises			
General Motors	38	+	1½
Falls			
Chevron	65¾	−	2⅛
Occidental	18⅞	−	¾
Rgnl Managemnt	8	−	9½
Texaco	59¾	−	1⅞
UAL	129½	−	10¾

PARIS (FFr)

Rises			
Elex	1905	+	45
Fonc Lyonnaise	696	+	14
GTM-Entrepose	396	+	9
Total B	248.7	+	9.2
Falls			
Immobanque	660	−	15
Skis Rossignol	765	−	25

TOKYO (Yen)

Rises			
Nichei Constn	780	+	85
Falls			
Fuji Bank	1270	−	200
Isetan	1950	−	400
Matsuzakaya	1260	−	190
Seibu Railway	1950	−	310
Tamura Elec Wk	1020	−	200

LONDON (Pence)

Rises			
Boosey&Hawkes	950	+	40
Dixons	196	+	6
Frost Group	371	+	22
Midland Bank	345	+	10
Novers Ind	367	+	16
Next	71	+	5
Psion	154	+	19
Reuters	1141	+	18
Tesco	255½	+	4½
VSEL	313	+	13
Young Group	13	+	7
Falls			
BLP Group	36	−	9
Brabant Res	29	−	4
Owners Abroad	89½	−	6½
Pegasus	150	−	9
TSB	121	−	5
Tops Estates	130	−	8
Tyne Tees TV	249	−	11

O&Y plan to repay debt hit by fresh blow

By Bernard Simon in Toronto

OLYMPIA & YORK, the debt-burdened property developer, is struggling to find a buyer for a 36-storey Toronto office building it needs to sell to fund overdue debt obligations.

Problems in raising funds from Exchange Tower, which houses O&Y's head office and the Toronto Stock Exchange, mirror a nervousness in financial markets this week over O&Y's inability to meet payments on its C$20bn (US$16.8bn) debt.

Share prices of Canadian banks with a large exposure to O&Y, as well as Trizec, the property developer in which O&Y has a 35 per cent interest, fell to their lowest in a year in Toronto yesterday.

In addition, an O&Y spokesman confirmed the company had failed to make interest payments on a US$800m Eurobond secured by one of the buildings in Manhattan's World Financial Centre. Last week, O&Y failed to make a principal payment on a C$450m loan to finance construction of Toronto's 68-storey Scotia Plaza.

A Toronto property financier said yesterday O&Y has been involved in "a fair bit of activity" to line up a Canadian or foreign buyer for Exchange Tower.

O&Y has been trying to sell Exchange Tower to raise funds to redeem a C$300m commercial paper programme secured by the building. About C$150m to C$200m of the paper is still outstanding. No payments have been made in recent weeks.

The company last week redeemed principal plus accrued interest on a second CP programme following the receipt of funds from the sale of its controlling interest in Interprovincial PipeLine of Calgary.

Among the options for Exchange Tower are a takeover by some O&Y bank lenders until another buyer can be found, and a sale-leaseback arrangement under which O&Y would regain ownership once its financial condition improves.

The search for a buyer is complicated by the steep fall in Toronto property prices in the past two years. One property analyst said any pension fund or bank which bought Exchange Tower at a depressed price faced the prospect of having to write down the value of its other property holdings.

He said only a handful of Canadian institutions had the resources to buy Exchange Tower, while foreign investors were more interested in cheaper buildings in US cities such as Houston and Dallas.

Bramalea issue, Page 20

Commerzbank claims 75% rise

By David Waller in Frankfurt

COMMERZBANK, Germany's third biggest bank after Deutsche Bank and Dresdner Bank and the last of the three to report its results for 1991, yesterday said its total operating profits for the first two months of the current year rose 75 per cent.

Group profits excluding trading results, or partial operating profits, rose 45 per cent in January and February, the bank's chief executive said.

For the whole of last year, operating profits climbed 33.5 per cent to DM1.83bn ($1.12bn). Mr Martin Kohlhaussen, chief executive, acknowledged that the rate of growth in January and February reflected a relatively poor start to 1991. But when the figures were compared with a similar proportion of last year's figures, operating profits still rose 25 per cent and partial operating profits 14 per cent, he explained.

These figures suggest that there has been little slowdown in the demand for credit which buoyed the profits of all the main banks last year. Commerzbank said partial operating profits climbed 29.8 per cent to DM1.8bn in 1991. Total business volume rose 5.1 per cent to DM229bn while interest income rose 22.3 per cent to DM4.20bn. The dividend is unchanged at DM10 per share.

Commerzbank's profits grew faster last year than those of its two bigger competitors: Dresdner reported operating profits up 23 per cent to DM2.5bn, while Deutsche announced an increase of 16.5 per cent to DM5.97bn.

In spite of the high profitability, Commerzbank has the weakest balance sheet ratios of the big three banks and will be obliged to hold a rights issue later this year or early next year.

Mr Ulrich Ramm, the bank's chief economist, said a separate issue of profit-participating certificates was likely this summer. He said the lively start to the present year was not simply because of an upturn in the bank's own account trading; the bank had also benefited from an improvement in interest income, better interest margins and a lower rate of provisions, as well as better market conditions.

The bank has raised its stake in DBV Versicherungen, one of Germany's top 10 life insurance companies, to 48.3 per cent from just over 25 per cent. This was in order to support the life company's shares which have sunk below the level at which they were sold when Commerzbank brought the company to the stock market in 1990.

Philips cuts jobs in PC operation

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, said yesterday that it would cut one third of the 1,800 jobs in its loss-making personal computer operation – the company's last remaining computer activity – and halt direct sales of PCs in the US.

The company will stop selling PCs in the US through traditional outlets and channels. Instead it will seek to produce computers for other US manufacturers which will then sell the equipment under their own names.

The company said the US had borne the brunt of the malaise in the industry, forcing Philips to rethink its US strategy as part of its worldwide restructuring of the sector.

"The main aim of the plan is to bring the company's entire infrastructure in the field of PCs more into line with existing market conditions and with Philips' market position," the company said.

Philips, which sold off its mainly European-based minicomputer division to Digital of the US last year, said it would redouble its PC sales efforts in Europe, Canada and the Asian market.

The company, which has always played a relatively small role in the computer market, said it would also be looking for additional opportunities to manufacture PCs for other computer companies.

Most of the 600 job losses will be at the company's PC factory in Montreal, Canada. Under the restructuring plans, the company's new PC assembly plant in Tilburg, the Netherlands, is to stop building computers and will concentrate instead on packaging Canadian-made computers for the US.

The Dutch plant will also be given the new task of downloading software for the European market, cushioning the job losses caused by the ending of computer assembly.

Philips has frozen earlier plans for starting up its own production of notebook computers in Taiwan while the company reassesses the prospects for this area of the market.

The undisclosed costs of the latest restructuring at Philips will be covered by provisions already taken by the group as part of efforts to boost profitability.

The company declined to give figures for present and future PC production, saying only that the sector continued to make losses.

Martin Dickson on the humbling of Robert Stempel

Impatient GM board flexes its muscles

"YOU'VE just got to have the patience to stay with me," declared Mr Robert Stempel, the embattled chairman of General Motors, when he recently pointed out that reviving the ailing car manufacturer would take quite some time. But this week the board sent him a powerful message that its patience is wearing mighty thin. Non-executive directors, in an extraordinary display of muscle-flexing, forced a shake-up of GM's senior management.

It has humbled Mr Stempel by removing him as chairman of GM's key executive committee, which oversees the company between board meetings. He has been replaced by Mr John Smale, a non-executive director who was formerly head of Procter & Gamble, the consumer products group, and appears to have played a key role in prompting the boardroom mutiny.

It has also demoted Mr Lloyd Reuss, the chairman's much-criticised right-hand man, who has been replaced as group president by Mr John Smith, the head of international operations. Less than two months ago, amid persistent speculation that Mr Reuss's star was waning, Mr Stempel told a news conference: "Lloyd's my guy."

Mr Stempel, 58, remains as chairman of the group, but the board has apparently put him on notice that he will have to act much more toughly and decisively to keep the position over the long term.

"Regaining profitability requires a more aggressive management approach to remove excess costs," it pointedly declared in a statement after the Monday board meeting which pushed the upheaval through.

Yesterday Wall Street gave its own verdict on the changes, marking the company's shares up $1¼ to close at $38 in the hope that the new team will move decisively to solve the group's chronic problems in North America, where its automotive operations had an operating loss of $7bn in 1991.

Over the next few weeks the company is expected to announce further large first-quarter losses, when smaller Detroit rivals Chrysler and Ford may have operated profitably.

All of the Big Three US car manufacturers have been hit by recession, which has cut demand for vehicles, and increased supply, thanks to the growing output from Japanese car plants in North America. But both Ford and Chrysler have moved more aggressively than GM over the past few years to streamline their manufacturing efficiency.

When Mr Stempel replaced Mr Roger Smith, GM's controversial and authoritarian chairman in 1990, his appointment was seen as a big opportunity for the bureaucratically hidebound giant to reverse the slide in its US car market share, which has dipped from 47 per cent at the start of the 1980s to 35 per cent now.

Changing gear: Robert Stempel announces the big changes at GM which left him as chairman

Mr Stempel, who has an imposing 6ft 4in frame and booming voice, was hailed as an engineer who would inject excitement into the company's range and a collegiate leader who would inject a sense of purpose into management and bite the bullet on much-needed plant closures.

He has done much in each of these areas, but he has not done enough, fast enough. Critics say he is a man who prefers evolution when market forces are demanding a revolution.

Last December, after prodding from the board, he did announce plans for a restructuring, with more than 70,000 job losses and the closure of 21 plants over the next few years. The company is also reorganising its North American management structure, which will change the cumbersome system imposed by Mr Roger Smith in 1984.

This is an extremely delicate task – the 1984 upheaval threw the company into months of turmoil – and the man responsible for overseeing the change has up to now been Mr Reuss, who had ultimate charge of GM's North American car operations. Mr Reuss, aged 55, who tends to dress in three-piece suits and monogrammed shirts, cuts a distinctly provincial Middle American figure. He has long been out of favour with the board.

When Mr Stempel became chairman, the board wanted him to appoint Mr Jack Smith as president, but he insisted on Mr Reuss, his longtime sidekick and one-time rival for the top job. When the appointment was announced inside GM, some white collar workers jeered.

Critics said the appointment was a classic example of what was wrong at GM, with an inbred corporate culture and bureaucratic dead hand encouraging croneyism and rewarding employees for long service rather than performance.

This week the board said enough was enough. Mr Reuss is being shunted off to head a rag-bag of activities, including the development of new cars. Mr Jack Smith, his replacement, is a very different type of manager. Aged 54 – he celebrated his birthday on Monday – he is an approachable, down-to-earth man who was born in New England and rose through the GM ranks on the financial side.

But he really made his name in Europe in the mid-1980s, when he took charge of GM's operations and played a key role in turning what had been a heavy loss-maker into the most profitable of the six big European volume car manufacturers. Key ingredients included strong products, flexible factory practices – and a lack of strong Japanese competition.

Although Mr Smith always stresses that the European turnround was a joint effort which took a decade, the board is clearly hoping he can work similar effects in the US. In Monday's statement it pointedly said the appointments would "promote the adoption of best practices throughout the corporation, such as the operating techniques which have proved so successful for GM's international operations".

But GM in the US is an infinitely more complicated animal than in Europe, and it is questionable how rapidly Mr Smith can get to grips with the immense task.

A huge question mark also hangs over the relationship between Mr Stempel and Mr Smale in the running of the business. Mr Smale, who has been on the GM board for a decade, is credited with turning Procter & Gamble in the 1980s from a sluggish giant into an aggressive, financially successful business.

He knows what it takes to turn a complacent bureaucracy around. But will what he knows coincide with what Mr Stempel thinks? And, if not, which voice will prevail?

Waste group raises £438m in global share offer

By Roland Rudd in London

WASTE Management International yesterday raised £438m ($764.5m) from the international offer and placing of 20 per cent of its shares, valuing the group at just over £2.2bn. After expenses and underwriting commissions, £33m, or 7.5 per cent of the total raised, net proceeds came to £405m.

Shares in the UK were placed at the slightly lower than expected price of 585p, against an indicated range of 530-645p. The shares rose 20p in trading to close at 605p.

Merrill Lynch, global co-ordinator, said the success of the multi-tranche deal, the first of its kind in this country, would act as a benchmark for further international equity offerings, such as Guinness Peat Aviation, which is to be floated in June.

The pricing was described by Merrill Lynch as having been led by institutions in the US, where Waste Management Incorporated, the parent company, is based.

The offering of Waste Management International's shares involves a placing of 26.2m shares in the UK market; an offer for sale of 30m shares in the US, packaged as 15m American depository shares; and an offer of 18.7m shares in other markets.

In New York, the shares were priced at $20.4, implying a price of $10.2 for each share in the international offering. An adviser for the group said it was pleased with the response in spite of some criticism that the shares had been priced too high. The shares are now trading on a multiple of 32 times the pro-forma 1991 earnings per share.

Heron under pressure over £450m bonds call

By Robert Peston in London

HERON International's financial problems worsened yesterday when the troubled property group's bonds were called into default by bondholders and a lead manager of the bonds.

Once the bonds are in default, bondholders can demand immediate repayment of principal, totalling £450m ($774m) threatening the property group's survival. However, Heron is confident that bondholders will recognise it is not in their interests to demand immediate repayment.

But Crédit Suisse, lead manager of four Swiss franc bonds, whose face value is SFr600m ($397.3m) said the terms proposed last Friday by Heron to reschedule repayments on £500m of bank loans and the bonds were not acceptable to bondholders. "They [Heron's directors] know the current terms are not acceptable," said a Crédit Suisse executive.

Crédit Suisse is organising a meeting of the bond lead managers – the investment banks which arranged the sale of the bonds – on Monday in Zurich. The other lead managers are Banque Indosuez of France. Deutsche Bank of Germany, Warburg Sogitic of Switzerland, Crédit Lyonnais of France and Royal Bank of Canada.

Although Heron sketched out plans for a financial reconstruction last week, it may be months before bondholders receive concrete terms.

"We are endeavouring to keep bondholders up to date with what's going on," said a Heron spokesman. "But we cannot make formal proposals to bondholders until we have further discussions with our banks."

Crédit Suisse said it was forced to call its four bonds into default when holders of other bonds called their bonds into default. "We did not want to put holders of our bonds at a disadvantage vis à vis the holders of other bonds," said an executive.

Under the covenants relating to most of Heron's bonds, holders have the right to call a default if the company proposes a financial reconstruction, which it did last week. However, under Swiss law only the lead manager of a Swiss bond can call a default.

Heron is trying to reschedule its debts because it is convinced that it will breach the covenants on its bank loans. One of its covenants stipulates that its net worth must exceed £350m. Heron, advised by accountants Price Waterhouse, estimates that its net assets at the end of March were £135m, against £585m in March 1991.

Heron, which has been hit by problems in the US and by the sharp fall in property prices, wants to reschedule repayment of interest and principle to the late 1990s on hundreds of millions of pounds in bank debt and bonds, out of its total borrowings of £1.35bn.

Under the outline proposal, £950m of bank and bond debt would be split into two categories, "A" and "B". Interest on the A debt would continue to be paid and the principal repaid from cash generated by the ongoing businesses and asset disposals.

The B debt would have interest rolled up and would be repaid only once the A debt principal was paid.

Shipping helps lift AP Moller profits 65%

By Hilary Barnes in Copenhagen

A. P. MOLLER, the shipping, shipbuilding and oil and gas group, increased annual net profits by 65 per cent to DKr1.92bn ($305m) from DKr1.16bn and profits before tax by 36 per cent to DKr2.78bn from DKr2.04bn.

The boost to profits arose primarily from shipping, which doubled net profits to DKr1.51bn from DKr743m and increased profits before ship disposals and special items to DKr892m from DKr556m.

The preliminary statement, which contains more detail than in previous years, shows an increase in net turnover in shipping to DKr20.18bn from DKr16.82bn. Turnover in the oil and gas activities increased to DKr3.32bn from DKr2.75bn.

Group equity capital and reserves rose to DKr16.29bn from DKr14.53bn and total assets increased to DKr35.29bn from DKr30.20bn. Investments in the shipping business last year totalled DKr5.3bn, while APM's share of investments in North Sea oil and gas activities, in which it is in partnership with Texaco and Shell in Danish Underground Consortium, was DKr1.4bn.

An increase in the dividend in the twin parent companies which control the group was proposed. The dividend in D/S 1912 will go up from 40 to 45 per cent to DKr97m and in D/S Svendborg from 40 to 60 per cent to DKr89m.

Oil and gas activities, which comprise production from the Danish sector of the North Sea, gave an increase in operating profits to DKr1.47bn from DKr1.14bn, but net profits, after inter-group allocations and tax, were down to DKr113m from DKr126m.

Results by the Maersk Line container fleet and the tanker fleet were better than in 1990, said the statement, while bulk carriers and gas tankers did slightly less well and the offshore rigs and supply vessels yielded unchanged results.

Shipping results in 1992 are likely to be "significantly below" 1991.

Elsevier to lift trade publishing

By Ronald van de Krol in Amsterdam

ELSEVIER, the acquisitive Dutch publisher, aims to derive 45 per cent of its turnover from trade publications in the professional, business and educational fields by 1996, putting this sector ahead of the company's important science publishing activities for the first time.

Science publishing and the professional, business and educational sectors each accounted for 36 per cent of turnover in 1991.

Speaking at the presentation of the annual report, Mr Pierre Vinken, chairman, said the emphasis on trade publishing would not be made at the expense of science publishing – whose share of 1996 turnover will remain roughly unchanged at 35 per cent – but at the expense of consumer publishing.

This sector, which mainly comprises Elsevier's two Dutch daily newspapers, will see its share of turnover fall to 20 per cent in 1996 from 28 per cent in 1991 and 35 per cent in 1986, when it still represented the company's single biggest activity. This decline would not be achieved by divestments but by quicker growth in the other two areas.

Mr Vinken said Elsevier expected to spend a minimum of Fl 100m ($53.7m) on acquisitions in 1992. In 1991, the company spent more than 15 times this sum, most of it on acquiring Pergamon Press, the UK-based scientific publisher, from the late Mr Robert Maxwell.

Mr Cornelis Alberti, Elsevier's finance director, said the company was looking at new acquisitions but did not expect to announce one in the very short term.

Mr Alberti, who was quoted by Reuter news agency last month as saying that Elsevier would be interested in acquiring a leading foreign newspaper such as the Financial Times, Wall Street Journal, Frankfurter Allgemeine Zeitung or Suddeutsche Zeitung, said his remarks had been intended as an "academic" example of the type of quality Elsevier pursued in making its acquisitions. He repeated that Elsevier realised these newspapers were not for sale.

Hong Kong group buys Charles Jourdan

Alice Rawsthorne *reports on the changes taking place in the French footwear industry*

CHARLES Jourdan, one of the best known names among France's classic shoe makers, has fallen victim to the downturn in the luxury goods industry by being taken over by Dickson Concepts, a Hong Kong retailing group.

The deal comes at a time of far-reaching changes for the French footwear companies which, in common with other areas of the global luxury goods market, are experiencing intense financial pressure.

Earlier this year Stéphane Kélian, one of Jourdan's chief competitors in France, was forced to seek a fresh injection of capital to restructure its finances.

Dickson Concepts has agreed to acquire Jourdan for FFr158m ($28.21m) by buying an initial 20 per cent stake for FFr40m with an agreement to purchase the remaining shares between 1993 and 1994.

The market for luxury shoes enjoyed rapid growth in the 1980s thanks to strong demand from Europe, North America and the new market of Japan.

The French companies, based around the traditional shoe-making town of Romans in the Rhône valley, benefited from the buoyant climate.

Even in the bullish era of the 1980s they came under fierce pressure from the Italian shoe industry. In the past year or so this pressure has intensified as tastes have swung back to classic styles, and old-established Italian companies, such as Gucci and Ferragamo, have staged a renaissance. These problems have been aggravated by the slowdown in the global luxury goods market reflecting the economic problems of the US and, more recently, of Japan.

Charles Jourdan has attempted to cut costs by transferring production from the Rhône valley to lower-cost plants in Spain and by shedding staff. Its manufacturing workforce in France has fallen from 2,100 in 1986 to 650. But the group has been plagued by intermittent financial problems. It made a net loss of $4.6m in 1991, although this represented a reduction on its $9.5m loss from 1990.

Earlier this year Jourdan was forced into short-time working, while management sought a longer-term solution to its financial difficulties.

Meanwhile Stéphane Kélian has found a French solution to its problems in the form of André, one of France's largest footwear groups, which has taken a stake in the company following a FFr46.6m recapitalisation package on the Lyon stock market.

Topdanmark in the red but holds payout

By Hilary Barnes

TOPDANMARK, the Danish insurer, made a DKr273m ($43.4m) loss in 1991 compared with a 1990 profit of just DKr8m. An unchanged DKr10 per share dividend is proposed.

Steps have been taken to improve performance, said the preliminary statement, which forecast a profit of not less than DKr200m in 1992, rising to DKr300m to DKr400m in 1993. The 1991 result consisted of a loss of DKr347m on primary operations and a gain of DKr74m from the adjustment for the value of securities.

The poor result was blamed on non-recurring events, including heavy loan loss provisions at Aktivbanken, the banking subsidiary, and DKr200m restructuring costs.

Hafslund pays NKr127m for Hydro Pharma

By Paul Abrahams

HAFSLUND Nycomed, the Norwegian pharmaceuticals and shipping group, yesterday finalised its acquisition of Hydro Pharma, the drugs company, for NKr127.6m ($20.28m).

Hydro Pharma, which has a turnover of about NKr180m, is one of the largest suppliers of pharmaceuticals to the Norwegian market. The company has about 200 employees. Following the acquisition of Hydro, Hafslund Nycomed's pharmaceuticals subsidiary, Nycomed Pharma, will become the largest drugs group in Norway.

The move is part of Hafslund Nycomed's drive to become a pure healthcare group and strengthen its non-imaging pharmaceutical portfolio which is considered weak. Earlier this year Hafslund said it would spin off its shipping interests, probably in June.

Hydro Pharma specialises in rheumatic remedies, pain relief, skin care products and over the counter, non-prescription medicines.

Hafslund Nycomed's expertise is in non-steroid anti-inflammatory agents and cardiovascular drugs. It is also developing a proton pump inhibitor, as well as anti-hypertensive and anti-thrombotic medicines. However, most of these products are still in the development stage.

The acquisition should also strengthen Hafslund Nycomed's pharmaceutical marketing network in Scandinavia. The company has announced its intention to market its own products rather than licence them to third parties.

INTERNATIONAL COMPANY NEWS IN BRIEF

Bayernverein loan for Skoda

BAYERISCHE Vereinsbank said it had issued a loan worth Kcs1bn ($34m) to Skoda Automobilova, Reuter reports from Munich. The bank said it was the first German bank to issue such a loan denominated in koruna. The loan had been issued through its Prague branch.

Bayernverein said the branch concentrated on institutional customers but was planning to extend its activities to mortgage business once the legal framework for this was in place.

RIETER Holding, the Swiss machinery manufacturer, said an upturn in demand for spinning machines and cost cutting measures already under way would considerably improve its 1992 operating result, Reuter reports from Zurich.

"The slight pick up in demand for spinning machines since September leads to the conclusion the turning-point has been reached in this market," the company said in a statement on its 1991 results.

Rieter said earlier 1991 group net profit fell to SFr4.9m ($3.24m) from SFr34.9m in 1990, and cut its dividend. Sales fell to SFr1.51bn from SFr1.65bn.

KONINKLIJKE Pakhoed said it was unlikely its main business of oil storage would this year maintain the strong results achieved in 1991, Reuter reports from Rotterdam.

"For Paktank (the storage unit) it will be difficult in the coming year to match the good results of oil storage in 1991," the company said in a statement accompanying its 1991 results.

Tank storage, of both oil and chemicals, made 4 per cent higher operating profits of Fl 160.8m ($86.4m) in 1991, while group total operating profits fell 1 per cent to Fl 196m. Group net profits were down 6 per cent to Fl 125.2m.

GEBRUEDER Maerz, the German brewer, said acquisitions will boost earnings and sales this year, allowing the group to expand within Europe, Reuter reports from Munich.

Maerz made a net profit of DM35m ($21.2m) on sales of DM1.94bn in 1990/1991, after net profit of DM45.7m on sales of DM1.34bn a year earlier.

Mr Andreas Maerz, chairman, said group sales could rise to DM2.4bn in the year ending September 30 1992. Earnings would also rise.

He gave no details on net results, but said earnings per share would rise to DM14.50 from DM10.35 last year.

INTERNATIONAL COMPANIES AND FINANCE

AMD surges after court victory

By Alan Cane

ADVANCED Micro Devices – the US semiconductor manufacturer which has been locked in battle with its principal competitor, Intel, over rights to a best-selling chip design – has returned dramatically higher first-quarter earnings.

The company's earnings rose to $84.9m, or 86 cents a share on a fully diluted basis, compared with $4.2m, or 2 cents, for the same period last year. Revenues advanced to $407.4m for the quarter, a 48.5 per cent increase over the $274.3m recorded last year.

The results far exceeded market expectations, with the average of analysts' predictions coming out at 69 cents a share.

Mr Jerry Sanders, AMD's chairman, said the company was now the world's second-largest microprocessor maker, behind Intel, but ahead of Motorola and National Semiconductor.

The company attributes the revival in its fortunes to its victory earlier this year in a five-year court battle with Intel. AMD had been fighting for the right to manufacture its version of an Intel microprocessor chip – the 80/386 – which is now used by the majority of personal computer manufacturers world-wide.

Intel recorded record revenues and earnings earlier this year as a result of buoyant sales of its 80/386 and 80/486 microprocessors.

AMD won not only the right to make its version of the 80/386 chip but also $15.3m in damages against Intel which, the trial judge said, had breached a 1982 technology sharing pact with AMD under which the companies had agreed to swap microprocessor and other product designs.

It is conventional in the semiconductor industry for a company with a successful product to license its manufacture to competitors with a view to dispersing the technology more widely and providing customers with a second source.

However, Intel – mindful that research, development and other expenses were costing it between $1bn and $2bn a year – refused to license its most profitable product.

During the first quarter, AMD said, sales of its Am386 device had exceeded $180m, more than 44 per cent of total revenues.

The company said that it had detected some improvement in the state of the computer business – the semiconductor industry's largest customer – with orders for some components currently exceeding shipments.

NYSE firms post record profits

By Martin Dickson

WALL Street's booming trading conditions have been underlined by the 1991 results of securities companies belonging to the New York Stock Exchange.

The firms reported record after-tax profits of $3.86bn for the year, compared with a loss of $106m in 1990. The previous record of $3.62bn was set in 1986.

The record was achieved thanks to sharp rises in equity and bond markets, together with extremely heavy issuance of new stocks and fixed income securities, which are underwritten by Wall Street firms.

This year has also started well, with Wall Street reaping record underwriting fees in the first quarter – some $1.73bn, compared with the record $1.6bn set in the fourth quarter of last year.

However, observers question whether this hectic pace can be kept up over the course of the year.

In the fourth quarter of last year the stock exchange firms made after-tax profits of $1.20bn, compared with a $128m loss a year earlier.

In the third quarter of 1991 they reported profits of $842m.

The figures do not include specialists who make markets in stocks on the floor of the exchange, but do not deal with the public.

Revenues in 1991 totalled a record $61.31bn, up 13.4 per cent from $54.05bn in 1990.

The previous peak was $59.54bn in 1989.

Fourth-quarter revenues were $15.35bn, up 15 per cent from a year earlier.

Revenues totalled $15.25bn in the third quarter.

The full-year profits represented a 10.2 per cent annual return on the average net worth of $37.82bn.

NYSE said member firms' expenses for 1991 had been $55.46bn, up 2.3 per cent from $54.19bn in 1990 and the second highest on record. The highest was $57.69bn in 1989.

Expenses for the fourth quarter of 1991 increased 0.4 per cent to $13.53bn from $13.47bn in the same quarter in 1990.

Pan Am terminates route pact with Delta

By Karen Zagor

PAN AM, the defunct US airline, has terminated its agreement to transfer its Detroit-London route to Delta Air Lines, clearing the way for it to sell the route to Northwest Airlines.

The move ends months of fierce competition between Delta and Northwest for the route. Delta had claimed that it purchased the route as part of a package of Pan Am assets – including Pan Am's East Coast Shuttle and remaining transatlantic routes – which it bought last autumn.

Northwest, which has a hub in Detroit, has strongly contested Delta's application.

Pan Am said US bankruptcy court Judge Cornelius Blackshear had denied Delta's request for a temporary restraining order to block the contract termination.

Pan Am has also withdrawn its filing with the Department of Transportation to transfer the route to Delta, and has filed a joint motion with Northwest to transfer the route to Northwest.

Pan Am and Delta have been locked in litigation since late last year after Pan Am was forced into liquidation after Delta refused to provide further funding for Pan Am.

Delta had originally agreed to buy Pan Am's East Coast Shuttle operations and its remaining transatlantic routes, and to invest in the cash-strapped airline by funding some of its liabilities. However, Delta reopened the negotiations on the investment portion after the two sales had gone through, because of Pan Am's worsening financial condition.

In January, Pan Am brought a $2.5bn lawsuit against Delta, claiming Delta's breach of the funding agreement between the two had forced it to stop operations. Delta has brought its own countersuit against Pan Am.

Bramalea offering fares poorly

By Bernard Simon in Toronto

THE dismal response to a rights issue by Bramalea, a large but heavily indebted North American property developer, has underlined the severe loss of confidence in the Canadian and US real estate industry.

Toronto-based Bramalea said that it had raised C$76.4m (US$64.7m) from the rights issue, compared with target financing of C$115m. All but 120,000 of the 19.1m common shares issued were taken up Bramalea's parent, Trizec Corp of Calgary. As a result, Trizec has raised its stake in Bramalea from 66 per cent to 72 per cent.

Mr Frank Graham, Bramalea's chief financial officer, said yesterday that "everyone is basically nervous" about real estate investments. He blamed the poor public response partly on the troubles of Olympia & York, the cash-strapped developer which is restructuring its debts.

O&Y has a 35 per cent stake in Trizec, which is North America's biggest publicly traded developer. Trizec's share price dipped by 37 cents on the Toronto Stock Exchange yesterday morning to C$6.63, its lowest level in two decades.

Bramalea's operations, which range from office buildings and hotels to house-building, are concentrated in the Canadian province of Ontario and in California. Both these regions have been hit hard by the recession.

The company suffered a C$4.5m loss in the three months to January 31, and has long-term debt of about C$4.8bn.

It aims to reduce its debt by about C$1bn over the next few years through disposal of properties, and is hoping for improved cash flows in 1993 and 1994 as economic recovery takes hold.

Orion losses widen to $29m

By Karen Zagor in New York

ORION Pictures, the US film company whose Silence of the Lambs last week walked off with five Academy Awards, yesterday unveiled a third-quarter net loss of $29.2m, or $1.30 a share, against a deficit of $15.6m, or 75 cents, a year earlier.

In spite of its string of successes – including Dances with Wolves and Platoon – Orion has been operating under Chapter 11 bankruptcy protection since December.

The results coincided with an announcement by New Line Cinema, an independent US film production and distribution company, that it might scupper its rescue plan for Orion if it could not reach an agreement with Orion creditors by next Tuesday.

Mr Michael Lynne, New Line's president, said he was disappointed that the key parties were unable to resolve their differences.

New Line has been working with Metromedia, which has a 70 per cent stake in Orion, to propose a joint reorganisation plan.

The New Line proposal includes exchanging cash and stock valued at $41.5m for about $160m of Orion's equity. New Line would manage Orion's operations and distribute the company's films. It would have a 46 per cent stake in the reorganised Orion.

Orion's continued malaise was reflected in its third-quarter figures. Revenues fell to $94.8m from $119.4m the previous year, while the company's gross profit tumbled to $4m from $19.3m.

For the first nine months, it suffered a net loss of $102.1m or $4.54, against a loss of $14.9m, or 78 cents, a year ago. Revenues rose to $400.7m from $330.7m. Restructuring costs were $6.23m in the latest nine months and $4.89m in the latest quarter.

- Mr Peter Jovanovich, former president and chief executive of Harcourt Brace Jovanovich, has left the publishing and insurance company founded by his father for Macmillan/McGraw-Hill's school publishing division. His departure from HBJ follows the recent takeover by General Cinema.

Northrop considers joining LTV bid

NORTHROP, the US military aircraft maker, may join with Carlyle Group in bidding for LTV's aircraft division, Reuter reports from New York.

LTV, the US steel and defence company, has been under bankruptcy protection for the past five years.

Carlyle, an investment firm run by Mr Frank Carlucci, the former US secretary of defence, is part of one of two bidding groups for the LTV aircraft and missile business. Its bidding partner is Thomson-CSF, the French state-controlled defence company.

Northrop was unavailable to comment on the possible bid for the aircraft division. A source said Northrop would not be a 50-50 partner in the division but that it would have a role in running the business if the Thomson-Carlyle bid succeeds.

As part of the joint offer, Thomson is offering $280m cash for the LTV missile business. Carlyle has offered $90m cash plus $30m in securities for the aircraft business.

Northrop is believed to be considering a way to help enhance the securities portion of the offer.

The Thomson-Carlyle bid rivals a $355m offer by Vought, a joint venture formed by the US defence groups Martin Marietta and Lockheed.

RPM buys coatings concern

RPM, the Ohio-based coatings, sealants and adhesives group, has acquired Martin Mathys, a privately owned Belgian coatings company, writes Paul Abrahams.

Terms were not announced.

Martin Mathys, which distributes its products in Belgium, France, Germany and the Netherlands, had sales of $24m last year.

The group also had $18m cash in the balance sheet, according to Chase Manhattan Bank, its advisers.

"This is an extremely profitable and lean family-owned organisation in a lacklustre sector, enjoying earnings before interest and taxes equivalent in recent years to between 14 and 16 per cent of turnover," said Mr James Conley, a vice-president at Chase. He said the multiple was much higher than multiples in most recent deals in the industry.

The acquisition is RPM's largest so far in Europe. The company already has some industrial operations in Europe, having recently acquired two Rust-Oleum businesses in the Netherlands and France.

Owens-Corning seeks to expand in Europe

By Andrew Baxter

OWENS-Corning Fiberglas, the US construction products and industrial materials group, is seeking to expand in Europe.

Mr Glen Hiner, the company's new chairman and chief executive, said in London that the expansion programme could involve acquisitions, because that would be enable the company to increase capacity more quickly than by building new manufacturing plants.

Owens-Corning, the world's largest manufacturer of fibre glass materials, has eight European plants. However, it has a much stronger presence in industrial materials – such as reinforcements, yarns and resins – than in construction products – such as insulation materials and roofing.

Mr Hinder said that, with the company's worldwide position and technology, it ought to be bigger in the European market for insulation materials. Its one plant in Belgium was currently operating at 110 per cent of its design capacity.

With the depressed conditions in the European market, this may be a good time to buy, he said. "We want to be one of the consolidators, not consolidated."

In the long term, he said eastern Europe and south-east Asia offered the company its greatest potential for expansion. He did not foresee acquisitions in the US.

Mr Hiner was speaking on his first tour of Owens-Corning's European plants since joining the company in January, after 35 years at General Electric of the US.

Overall, Mr Hiner wants to improve global integration of Owens-Corning's production facilities to ensure product uniformity. "This is a necessity because of the growth of global customers who expect the product to be the same in the US and Europe."

Mr Hiner has already received plaudits from Wall Street for acting quickly to end the uncertainty at Owens-Corning caused by asbestos-related liabilities. Two weeks after joining the company, he announced a special $800m non-cash charge which is expected to cover the company for claims up to the end of the decade related to asbestos pipe insulation sold until 1972.

Owens-Corning had previously taken a more gradual approach to making provisions for the claims, which are now declining but still exceeded 20,000 last year.

Mr Hiner said he was "highly confident" that the charge, based on 16 different variables, would cover claims until the year 2,000.

Wheelabrator plans $240m mill venture

WHEELABRATOR Technologies, a unit of Waste Management, plans to build a $240m linerboard recycling mill in Muskogee, Oklahoma, AP-DJ reports.

The company said the mill will be able to convert 320,000 tonnes a year of corrugated boxes into more than 272,400 tonnes of linerboard.

Construction of the mill, which will employ a permanent workforce of about 120, is expected to begin this summer.

Correction

Engen

IT WAS incorrectly reported on April 3 that a fall in refining margins at Engen, the South African energy group, was compensated by a rise in drilling in Gabon and the Congo. It was in fact offset by a 15 per cent rise in throughput at the Genref refinery.

Fat bonuses for big hitters

Patrick Harverson on the return of high earnings at Wall Street

Whisper it; just one year after the US securities industry posted record losses, multi-million dollar bonuses are back in fashion on Wall Street.

In the past few weeks a host of company proxy statements have revealed how much top executives in the securities industry were rewarded for 1991's record earnings.

At Merrill Lynch, Mr William Schreyer, chairman, picked up almost $6m for the company's best year, and he could earn another $10m or more from stock options that came with his pay packet.

Over at Morgan Stanley, the three most senior executives earned more than $5m each for steering the securities firm to record profits in 1991. With stock options, their pay totals nearer $8m apiece.

Even the chairman of Bear Stearns, a smaller firm, pulled in $5.3m, while his counterpart at the much bigger Shearson Lehman Brothers earned $2.8m.

These are a few of the numbers that made the newspapers. Behind the headlines lie hundreds more multi-million dollar and multi-thousand dollar payments to traders, analysts, arbitrage experts, underwriting managers and senior executives.

In the case of some specialists, their pay cheques exceeded even those of the chairmen and chief executives.

The payouts on Wall Street stand out in contrast to much of the rest of US business, which has been put on the defensive over the issue of pay and bonuses by indignant shareholders who want to bring compensation more into line with profits and performance.

Wall Street's highest paid executives have escaped the criticism reserved for the chairmen of Time Warner, United Airways and ITT because their businesses have performed so well in the past year that shareholders have had no reason to complain.

What must be particularly galling for outsiders is that the big bonuses on Wall Street are being handed out at a time when the US economy is still struggling to climb out of the longest recessions in its history.

However, for Wall Street the timing could not be better, coming at the end of a three-year period when pay levels in the securities industry were either frozen or cut back because of the slump in earnings.

William Schreyer: picked up almost $6m for Merill Lynch's best year and may earn another $10m

Fuelled by rising share prices, falling interest rates, record levels of bond and equity issues and heavy investor activity in stock markets, Wall Street firms last year earned fat fees and massive trading profits.

Equally important, return on equity improved rapidly. Pre-tax return on equity at Merrill Lynch rose from 9 per cent in 1990 to 27 per cent last year, at Morgan Stanley from 20 per cent to 36 per cent, and at Bear Stearns from 21 per cent to 36 per cent.

The share prices of publicly quoted Wall Street houses have risen sharply over the past 12 months.

On a strict pay-for-performance basis, the money has been well-earned, much as it was in the good years of the 1980s when large bonuses were handed out like confetti.

Yet there are important differences between that carefree, spendthrift era and today.

The most fundamental concerns the distribution of profits.

In the 1980s, everyone enjoyed a big bonus during the good times, irrespective of their contribution to earnings.

Today, things have changed, says Ms Joan Zimmerman of G Z Stephens, a New York executive recruiting firm. "Given the cost-consciousness and profit-consciousness that has finally begun to sink in on Wall Street, firms have clearly differentiated between the significant producers and originators, and those people who are merely processors of in-house deals."

That the big hitters on Wall Street have been paid so well is not just a reflection of their positions at the top of the career ladder.

They received big cheques because they delivered. If they had not brought in lots of revenue, their rewards would have been much smaller.

This is the second break from the recent past. In the 1980s there was little downside earnings risk for senior executives on Wall Street, who were normally guaranteed a certain level of compensation no matter what the results. If the firm suffered a bad year, management saved money by reducing compensation or shedding jobs among junior and mid-level staff.

Since then, Wall Street firms have realised it makes no sense to relate the pay of lower level executives to performance because they cannot be expected to bring in much revenue so early in their careers.

Now, senior professionals are having to bear the brunt of any swings in profitability. Wall Street insiders say there are plenty of examples this year of firms which did not give big bonus cheques to senior executives in certain departments – mergers and acquisition and corporate finance come to mind – because those particular lines of business fared poorly in 1991.

In spite of this new approach, there is concern that the record earnings of 1991 and the strong start to 1992 could raise expectations on Wall Street staff to dangerous levels.

Mr Vincent Perro of Sibson, a human resources management consultancy, warns: "Firms run the risk of losing some of the discipline they gained during the lean years."

Although some have put performance management systems in place that help identify, and reward, the real revenue earners, employees may fall into the trap of thinking that last year's bonuses, and those in the immediate future, should compensate for the relatively meagre returns of 1989-90.

Trying to set some sort of ceiling on pay and expectations is difficult because it runs counter to logic on Wall Street. "The basic tenet of the business is that you have very portable, valuable assets, and it is difficult to artificially restrain the market for those assets," explains Mr Perro.

Just take at look at Salomon, which undertook a very public reform of its compensation system in the wake of last year's bond trading scandal.

The new management of the firm pledged to make no promises on pay, and to align compensation with performance.

Yet the new policy contributed to a wave of departures by unhappy staff, and Salomon was forced to issue some up-front guarantees on pay to keep executives who threatened to leave for rival firms.

As Ms Zimmerman puts it: "There was some wishful thinking in executive suites that [Salomon's new approach] would influence the general mentality on the Street. But 1991 was the most profitable year in Wall Street's history, and the reality was that firms had to reward the best people or stand a very good chance of losing them."

Bronfmans take 73% of Toronto's Terminal 3

By Robert Gibbens in Montreal

THE CHARLES Bronfman family of Montreal, through privately held Claridge Group, is taking 73 per cent control of the C$520m (US$436.9m) Terminal 3 and hotel at Toronto's Pearson International Airport.

For the past two years the 73 per cent interest had been held jointly by Claridge and property developer Huang & Danczkay Properties.

The terminal was built by H&D in the late 1980s and then was put into a joint venture with Claridge.

The 27 per cent minority holding will remain in the hands of Lockheed Air Terminals, an affiliate of Lockheed of the US.

Terminal 3 came into operation in February 1991 just as the North American recession was peaking. H&D said that it broke even for the year, even though the retail sections were only 50 per cent leased.

It denied that the deal with the holding company of Mr Charles Bronfman, co-chairman of Seagram, the international drinks company, is linked with Terminal 3's financial squeeze.

Claridge says it may bid to lease and renovate Terminals 1 and 2 in Toronto, which are owned by the federal government.

"We are taking a strong look at bidding," said Mr Norman Spencer, Claridge vice-president, finance. "It's logical now we control Terminal 3."

Lockheed plans to retain its 27 per cent interest, but H&D made clear it wants to pursue other projects.

It is bidding with Lockheed Terminals to build a new international terminal at Athens airport. It has already been shortlisted by the Greek government.

The project will cost between US$2bn and US$3bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.04.92: Pool purchase price £/MWh	Final Prices for Trading on 11.03.92: Pool purchase price £/MWh	Final Prices for Trading on 11.03.92: Pool selling price £/MWh
0030	16.82	16.77	16.77
0100	16.73	16.94	16.94
0130	17.03	16.83	16.83
0200	16.82	16.94	16.94
0230	29.59	16.80	16.80
0300	29.59	16.78	16.78
0330	17.03	16.75	16.75
0400	16.87	16.71	16.71
0430	16.90	16.71	16.71
0500	16.90	16.68	16.68
0530	16.87	16.79	16.79
0600	16.87	16.86	16.86
0630	16.86	16.89	16.89
0700	19.06	17.89	19.57
0730	20.04	17.93	19.59
0800	23.91	18.16	19.84
0830	24.15	18.19	19.86
0900	24.26	18.38	20.07
0930	23.59	20.29	22.04
1000	23.46	22.61	24.45
1030	23.34	22.61	24.45
1100	22.59	18.39	20.08
1130	22.55	18.39	20.08
1200	22.17	25.52	27.48
1230	21.84	25.51	27.45
1300	21.83	25.50	27.41
1330	20.94	18.24	19.92
1400	20.92	18.24	19.93
1430	20.92	18.24	19.93
1500	20.92	18.24	19.92
1530	20.92	17.01	17.01
1600	20.94	18.24	19.92
1630	22.99	18.25	19.93
1700	23.01	19.89	21.61
1730	22.98	22.30	24.09
1800	20.92	22.31	24.11
1830	19.78	23.17	25.03
1900	19.77	27.31	29.29
1930	17.09	27.30	29.25
2000	19.78	27.16	29.05
2030	22.18	18.18	19.85
2100	22.18	18.15	19.82
2130	22.18	16.94	16.94
2200	22.18	16.89	16.89
2230	19.77	16.86	16.86
2300	18.71	16.81	16.81
2330	16.88	16.73	16.73
2400	16.86	16.73	16.73

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Derivatives flutter pays off for Swiss banks

Ian Rodger on the success of Grois, Clous and Kisses – instruments for small investors

Innovative is not a word that readily springs to mind when it comes to Swiss banks. In the past year, however, the big Swiss banks, led in this case by Swiss Bank Corporation (SBC), have successfully developed derivative-based savings instruments for smaller investors.

The idea is to give the individual saver a guaranteed return on his or her money, as well as the opportunity for a little flutter. Put the other way round, the instruments offer a chance to take a bet on a capital market without risking capital.

It is something sophisticated institutional investors have been doing for some time, but the individual saver does not have access to the money markets or the complicated calculations that make such risk-managed products work.

In January, 1991, SBC offered three, one-year term investment instruments with these characteristics. The bank called them guaranteed return on investment (Groi) securities, and sold them in units of only SFr5,000.

The investor could choose among three combinations of security and risk, with the risk element being the movement of the SMI index of leading shares on the Swiss stock market over the one-year term of the fund.

The investor could, for example, choose to have a guaranteed 7 per cent return on the investment, in which case the maximum bonus – if the SMI performed well – would be only 2.03 per cent. If, however, he chose a 0 per cent guaranteed return, the investor could make as much as 24.72 per cent if the SMI did well. There was also a middle option of 4 per cent guaranteed return, where the potential bonus could take the total return up to 16 per cent.

The units were so popular among Swiss investors, that the SBC had to cut off applications after taking in orders worth SFr150m.

In the event, the SMI index's rise in the year to January exceeded the targets set under the terms of the Groi, so investors in all three versions did very well. And it is a fair bet that SBC, capitalising on the skills of its Chicago derivatives specialist partners, O'Connor Partners, also did well with the funds it raised.

SBC's success did not go unnoticed by other banks in Switzerland, and they soon piled in with similar instruments, often with whimsical names. Union Bank of Switzerland (UBS) offered the Iglu, the index growth-linked unit, and the Clou, the currency-linked outperformance unit, while Bank Vontobel had the Kiss, the guaranteed capital index investment unit, and Swiss Volksbank offered a Smile, the SMI linked issue. Crédit Suisse was more prosaic, with something called the SMI deposit.

SBC has gone on to launch 60 more risk-managed instruments for individuals and small institutions, using various other capital market indices, and even individual shares, for the flutter element, raising a total of SFr1.2bn last year. That is probably about half the total raised by all banks through these instruments in the Swiss market last year.

The instruments tend to have a life of from nine months to two years, and a secondary market has developed.

One Groi using the Nikkei index on the Tokyo stock market proved to be an object lesson on the merits of these securities. Over the period of the instrument, the Nikkei index tumbled 21 per cent. Investors in the Nikkei Groi obviously got no bonus, but at least they got their capital back.

"If they had just been in Japanese equities, they would have lost a lot of money," Mr Mario Hafner, executive director of SBC, says. "This experience was the breakthrough for us in the Swiss market."

For all the initial success, there is considerable debate about how the market for these products is going to develop, both in Switzerland and elsewhere.

It is remarkable that, so far, the idea has not caught on in a big way in other countries, except for France.

In Switzerland, a couple of special factors have contributed to the appeal. For one thing, they arrived on the market just as the commissions on small transactions in shares rocketed following the elimination of fixed rates. Thus, investors were attracted to securities that had carried only a modest fee.

Some bankers had been concerned that customers would shift money from their bank savings accounts to these securities. However Mr Renaud Planta, a vice-president of UBS, says most of the shifting was from equities.

Second, many of Switzerland's fund managers have not been allowed to invest in pure derivative instruments until recently, and others have been frightened of them. The Grois and Clous provided an indirect and low-risk way to learn new risk management techniques.

"We thought these would be retail products initially. We were astonished that a lot of institutions bought the 4 per cent tranche of the first Groi," Mr Hafner says. It just so happens that 4 per cent is the minimum return that pension funds must achieve under Swiss law.

In other countries, institutional investors already design their own risk-management products, and Swiss bankers expect and hope this trend will gradually take hold in Switzerland as well.

Crédit Suisse has already decided to concentrate on tailor-made products, suspecting that the market for off-the-shelf products will not continue growing strongly or be that profitable. UBS and SBC, on the other hand, believe a substantial market for off-the-shelf products will remain, and will carry on issuing them.

Nationwide and banks help fund housing deal

By Simon London

A £135m ($232.2m) loan package to finance a transfer of council properties to housing association ownership was signed this week in the largest "block transfer" of council housing stock yet completed in the UK.

Broomleigh Housing Association, a non-profit making trust set up by housing officials of Bromley Council in Kent, is buying 12,400 properties from the council. The houses and flats will be let to existing tenants but under new ownership.

The biggest provider of funds for the transaction is Nationwide Building Society, which has committed £45m. An additional £90m in three facilities has been provided by a small syndicate of banks led by National Westminster.

Other syndicate members are Bank of Scotland, Scotia Bank, Banque Paribas, National Australia Bank and United Bank of Kuwait.

The syndicated facilities comprise two term loans to fund the initial purchase, with an underlying revolving credit facility to meet future funding needs. The long-term committed funding is costing Broomleigh 1.5 per cent over the London interbank offered rate. Fees are undisclosed, although the housing association has paid bankers and lawyers a total of £4.7m in fees.

The loans are long-term and complex because the housing association is committed to charging low rents. For example, it has undertaken to raise rents by no more than 2 per cent above inflation for the first four years. Hence rental income will not cover interest and maintainence costs for several years.

Borrowings should peak at £135m in the seventh year of the deal, while the housing association is paying the council an initial £116.9m for the properties.

Mr Keith Exford, Broomleigh chief executive, said the association was seeking an extra £15m funding to cover a development programme.

Komatsu, Krupp in mobile crane marketing accord

By Andrew Baxter in Munich

KOMATSU, the world's second largest construction equipment group, will shortly begin marketing Krupp mobile cranes in Japan. The marketing deal has significant long-term potential for the German steel and engineering group.

The agreement follows a commitment by the Japanese company to help European producers expand in Japan, where they have found it difficult to establish a foothold.

For Komatsu, the deal will emphasise that its links with Europe are not a "one-way business," according to Mr Frithjof Timm, president and managing director of Komatsu Europe.

Until January 1, Mr Timm was the head of Krupp Industrietechnik's crane division in Wilhelmshaven, northern Germany. There, he spent 18 months negotiating the deal with Komatsu.

Krupp has designed a special model in line with the higher axle loads required for larger cranes in Japan. The prototype is in Japan now for specification approval and Krupp hopes to deliver 20 more this year.

The deal is Krupp's second attempt to break into the Japanese crane market. An earlier agreement with Tadano of Japan was dissolved in the mid-1980s.

Krupp will also sell in Japan, through Komatsu, its existing all-terrain cranes with lifting capacity above 100 tons. Komatsu's range does not extend beyond 25 tons.

Krupp, along with the two German producers, Liebherr and Mannesmann Demag, dominates the world market for all-terrain mobile cranes. Liebherr has a dealer in Japan, while Demag has its own sales team.

Komatsu, meanwhile, says it will use this week's Bauma construction equipment exhibition in Munich to establish contact with more potential European component sources.

Hewlett-Packard links with Japanese company

HEWLETT-Packard (HP), the US electronics and computer group, and Oki Electric Industry, the Japanese manufacturer of communications equipment, have signed a broad "master" agreement to co-operate long-term in development and marketing telecommunications systems, Reuter reports from Tokyo.

They have not yet worked out details but will co-operate in licensing and joint development of technology as well as customer services and marketing, the companies said.

"We will sign many individual agreements under the umbrella of the master agreement," said Mr Masao Nogami, an Oki vice-president.

HP's strengths in Unix-based computer systems would complement Oki's in systems integration, said Mr Willem Roelandts, a HP vice-president.

Mr Nogami declined to estimate the likely size of the business that would result from the agreement.

HP and Oki have since 1990 worked together on printed circuit boards, and since 1991 on semiconductors and private telephone exchanges.

● Hewlett-Packard said Hughes Aircraft, a unit of GM Hughes Electronics, will buy up to $100m-worth of HP's PA-Risc-based workstations and servers, Reuter reports from Palo Alto.

HP will supply up to 4,300 HP Apollo 9000 Series 700 systems to Hughes Data Systems over the next four years.

Hughes will make the systems more rugged for installation in US Navy ships, submarines and land-based facilities under a defence contract.

Pacific island revises bid for Compass Airlines

NAURU, the tiny but rich Pacific island nation, yesterday lodged a revised A$55m (US$42.3m) takeover bid for Australia's failed Compass Airlines, after the carrier's provisional liquidator rejected an earlier offer, Reuter reports from Sydney.

Mr Kinza Clodumar, Nauru finance minister, met in Sydney with Nauru's joint venture partner, Austfin, a private merchant bank, before taking the offer to the airline's liquidator.

Under the bid, the Nauru government would own 75 per cent of Compass and Austfin the rest. The A$55m bid seeks mostly the popular budget-priced domestic carrier's good name. It will leave spare parts and other assets for Compass shareholders to dispose of in the liquidation process.

"We believe people will flock back to Compass," said Mr Duke Minks, Austfin managing director. "There are a lot of costs in setting up an airline and we estimate our offer is one-quarter of the cost of establishing a new airline."

Compass plunged into provisional liquidation in December, leaving 125,000 travellers with worthless tickets. It has since sought capital injections of between A$30m and A$60m.

Last week the liquidators said they would sell Compass to Southern Cross Airlines, a carrier claiming strong financial backing but with no aircraft in the air. Nauru said its bid would give creditors 28 cents for every A$1, compared with Southern Cross' offer of 9 cents per A$1.

Securities losses force Fuji Heavy to lower forecast

FUJI Heavy Industries, the Japanese maker of Subaru cars, said it would post parent pre-tax losses of Y4.8bn ($35.82m) for the year ended March 31, 1992, against a December forecast of Y1bn taxable profits, Reuter reports from Tokyo.

Fuji Heavy, which is affiliated to Industrial Bank of Japan and Nissan Motor, posted pre-tax losses of Y63.62bn in 1990-91, mainly due to poor domestic and US sales.

It also lowered its forecast for parent net profits to Y500m in 1991-92, from a December forecast of Y7bn, against losses of Y66.46bn in 1990-91. The downward revision was based on an appraisal of its securities losses, it said.

It lowered its forecast of parent sales slightly.

Shenzhen SE to offer seats to foreign brokers

CHINA'S Shenzhen Stock Exchange plans to offer foreign brokers seats so they can directly trade "B" shares reserved for foreigners, according to the Beijing-controlled China News Service, Reuter reports from Hong Kong.

It also quoted sources in Shenzhen, a special economic zone bordering Hong Kong, as saying listings for Shenzhen shares would also be sought on the Hong Kong and Singapore stock markets.

"The Shenzhen Stock Exchange plans to offer seats to some foreign brokers so that they could trade "B" shares directly," it said.

Although most demand for "B" shares comes from Hong Kong, brokers in the British colony must deal through counterparts in Shenzhen. Although the news service did not say when action would be taken, it said the aim was to expand foreign business on the market. "B" share trading started in Shenzhen on February 28 and four stocks are listed for foreigners.

"Shenzhen would select some qualified companies to issue stocks in Hong Kong and Singapore and to list them there," China News Service said.

The Hong Kong Stock Exchange is studying the listing of China stocks. Analysts say, however, that problems must be solved first.

Accounting standards remain a key problem. The lack of a securities law in China governing how to resolve disputes is another hurdle.

Italian market calms after post-election slide

By Richard Waters in London and Patrick Harverson in New York

ITALIAN government bonds levelled off after Monday's slide as the full results of this week's elections confirmed the weak position of the ruling coalition.

Given the instability of Italian politics, a small majority of seats in the chamber of deputies was seen as inadequate to produce a stable government. Further elections could follow later in the year.

The news prompted mixed views in the bond market. On the one hand, the lack of a decisive result was seen as the prelude to another weak government, one which was unlikely to get to grips with the country's dire fiscal position. That makes it less likely that Italy will meet the Maastricht conditions for economic convergence in the short term, postponing any greater convergence with other European bond markets.

Optimists, however, claimed the result would hasten an overhaul of the Italian political establishment.

In a heavy day on Liffe, with more than 23,000 contracts traded, the Italian bond future was trading at 97.83 late, close to its closing levels of the day before. At a yield equivalent of 12.68 per cent (gross of withholding tax), Italian bonds are now around 4⅝ percentage points above their German counterparts.

■ UK government bonds gained confidence as sterling strengthened, helping the long gilt future on Liffe to climb back up close to 94 for the first time in a week.

The market has settled on the view that this week's elections will fail to provide an absolute majority.

Against this background, the better news from foreign exchange markets reduced some fears that sterling would come under pressure after the election, helping bonds to recover and providing an opportunity for some profit-taking during the afternoon. The long gilt future, which opened at 93⅝, was trading at 93⅝ late, a gain of around half a point.

The gains were also reflected in the cash market, with the 9 per cent benchmark bond maturing in 2011 gaining ⅜ of a point on the day to close at 94⅜, for a yield of 9.65 per cent. Among 10-year bonds, the 9¾ per cent bonds due 2002 gained a third of a point, to close on a yield of 9.92 per cent.

■ US Treasury prices firmed at both ends of the maturity

GOVERNMENT BONDS

range as trading remained light ahead of today's auction of seven-year notes.

In late trading, the benchmark 30-year bond was up ⅛ at 101⅞, yielding 7.876 per cent. The two-year note was also higher, up ⅛ at 100⅞, yielding 5.278 per cent.

As on Monday, investors were cautious about committing themselves to the market before today's sale of $9.75bn in seven-year notes. Prices at the long end had been lower as players made room on their books for the new securities, but the continued sluggishness of the economic recovery and hopes for an easing of monetary policy helped bonds recover the lost ground.

The short end, meanwhile, was aided by expectations that the maturation of cash bills next week will trigger a shift of cash into shorter-dated government securities.

■ GERMAN government bonds continued their gains of Monday – but only after a rumour, later denied, that a compromise had been reached over the public sector pay dispute.

Late in the day, the yield on 10-year bunds fell further, to 7.92 per cent, from a high of around 7.95 per cent on the day – a firm move back below 8 per cent for the first time for three weeks. On Liffe, bund futures climbed from an opening of 87.77 to 87.94 late.

■ AFTER the government support given to the Japanese bond market on Monday, and with a stronger yen, the market in Japanese government bonds opened firmly in Tokyo. However the shakiness of recent days quickly returned as Japanese share prices tumbled yet again, this time taking the Nikkei average to below 18,000 by the end of the day.

The bond market has failed to take heart from the battering share prices have taken, as logic suggests it should. Instead, fears about the yen and pervasive gloom in Tokyo, together with a feeling that the official discount rate will not be cut further, have helped fuel selling in recent days.

The yield on the benchmark bond no 129, which opened at 5.575 per cent, closed at around 5.645 per cent. During the London trading day, prices slipped further, pushing the yield up to 5.67 per cent, before reverting to around its Tokyo close.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	101.5642	-0.086	9.76	9.84	10.09
BELGIUM		9.000	06/01	101.4000	+0.100	8.76	8.86	8.89
CANADA *		8.500	04/02	98.3300	+0.200	8.76	8.80	8.63
DENMARK		9.000	11/00	100.8200	-0.080	8.84	8.91	8.61
FRANCE	BTAN	8.500	03/97	98.6019	-	8.85	8.95	8.76
	OAT	8.500	11/02	98.8500	-0.050	8.84	8.67	8.52
GERMANY		8.000	01/02	100.4900	+0.110	7.92	8.00	7.91
ITALY		12.000	02/02	97.7300	-0.080	12.40†	12.40	12.15
JAPAN	No 119	4.800	06/99	94.2800	-0.242	5.83	5.59	5.76
	No 129	6.400	03/00	104.0585	-0.460	5.66	5.32	5.41
NETHERLANDS		8.250	02/02	99.8200	+0.080	8.30	8.39	8.26
SPAIN		11.300	01/02	102.0800	+0.080	10.92	10.92	10.67
UK GILTS		10.000	11/96	99-01	+5/32	10.27	10.16	9.65
		9.750	08/02	98-30	+14/32	9.91	9.88	9.55
		9.000	10/08	94-19	+11/32	9.66	9.64	9.35
US TREASURY *		7.500	11/01	100-24	+7/32	7.38	7.54	7.53
		8.000	11/21	101-10	+4/32	7.88	7.96	7.97

London closing. *New York closing. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

EC adds Ecu185m to existing deal in quiet day

By Simon London

FOLLOWING a flurry of new international bond issues on Monday, the market returned to the subdued and cautious tone which has prevailed for several weeks.

The European Community launched the only substantial issue of the day, adding Ecu185m to its outstanding deal maturing 1998. The 9¼ per cent bonds were reoffered to investors at a fixed price of 101.836, where the yield is 8.83 per cent – 5 basis points more than the yield available on the outstanding Ecu935m in the secondary market.

The pricing was seen as sensible by market participants, offering an incentive to buy the new paper. However, appetite for bonds is weak and firms saw slow buying.

BNP Capital Markets, which lead managed the deal, said that buyers included east Asian institutional investors and some UK and continental European bond fund managers. The deal was quoted by the lead manager at 101.80 bid, a shade below the reoffer level.

The proceeds of the issue were swapped into floating-rate Ecu for the borrower, at a rate thought to be about 26 basis points below the London interbank offered rate (Libor) for Ecu deposits. The proceeds are being on-lent to Romania to back economic development in that country.

Few borrowers are looking to launch substantial issues in a weak market. Syndicate officials said Finland still hopes to raise $1bn 10-year funding, although no date or pricing has been set. Compagnie Bancaire,

INTERNATIONAL BONDS

the French financial institution, is thought to be considering a $400m five-year deal.

Of Monday's issues, Export Development Corporation's $400m 10-year deal was quoted by lead manager Credit Suisse First Boston around the launch spread of 27 basis points over US Treasury bonds. However, participants in the deal said that the issue remained only partially sold to end investors.

Ericsson's $150m five-year deal was freed to trade yesterday morning. By the close, the yield spread had widened to about 95 basis points, from 90 basis points at launch.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Tops Estates(b)†	25	10.25	89.116	(b)	(b)	Baring Bros.
ECUs						
European Community(c)†	185	9.25	101.836	1998	27.5/12.5bp	BNP Capital Mkts.
DANISH KRONE						
Fin.for Danish Inds.(d)†	200	8.875	100.125	1997	1.875/1.25	Kredietbank
SWISS FRANCS						
City of Copenhagen(a)**†	100	7	101.25	1997	-	Bank Leu
Tokatsu Food(e)§	60	5	100	1996	-	Nw.Japan Bk (Schweitz)
SNT Corp(f)♦**	35	4	100	1996	-	Coutts & Co.
Bodysonic(g)§**	25	5	100	1996	-	Swiss Bank Corp

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Tranche of existing £50m First Mortgage Debenture 2011-2016. Fully fungible from 2/7/92. Fees undisclosed. c) Fungible with existing Ecu 935m bond. d) Fungible with existing DKr250m deal. e) Put option 31/3/94 at 108.25% to yield 9.034%. Coupon payable semi-annually. f) Callable on 23/4/92 at 101%, declining ¼% semi-annually. g) Put option 31/3/94 at 108.25% to yield 9.034%. Coupon payable semi-annually.

Investors more choosy about buying US shares

By Richard Waters

INVESTORS are getting increasingly choosy about buying US shares, if the results of some recent issues which had an international element are a guide – a sure sign that the mass of US equity issuance that accompanied the stock market rally at the turn of the year is running out of momentum.

Earlier this week, a planned sale by Phillips Petroleum, the US energy company, of shares in a gas subsidiary, GPM Gas, failed to get off the ground.

INTERNATIONAL EQUITY ISSUES

That followed similar failures within the past month to launch share issues for Gulfstream Aerospace, Regency Health and Uniroyal.

The lack of support for issues has revealed that investors are no longer prepared to take everything thrown at them from across the Atlantic.

"It's become a much tougher market," one syndicate manager in New York commented yesterday.

"Investors are questioning whether or not the recovery is taking place. And with the sheer volume of deals there are, it is almost humanly impossible to assess them all."

The failure to find support for new issues of shares manifests itself in different ways. Some proposed issues are postponed from week to week, looking for the right moment to be launched. Others have emerged at prices well below those initially indicated.

In spite of this, there are still some large US transactions emerging internationally. Earlier this week, for example, shares in Waste Management, the US waste disposal company, were priced, with about 26m shares placed in the UK (worth more than $260m).

Next week, a Black & Decker roadshow arrives in London to promote a near-$500m offering, $100m of it targeted at international investors.

Spanish futures and options trade enters new phase

Tracy Corrigan on the launch of a bond contract tailored to generate more foreign business

The launch of futures and options contracts on 10-year Spanish government bonds on Friday marks a further stage in the rapid expansion of the country's derivatives markets.

The development of futures and options trading has been fuelled by the liberalisation of Spain's financial markets, allowing a large inflow of foreign investment. On the domestic front, new legislation designed to pave the way for collective investment trusts to use futures and options is set to boost trading further.

Two and a half years after the country's first derivatives exchange was set up, Spain's two exchanges have been restructured to operate under a single holding company. Meff Renta Variable trades equity products in Madrid; Meff Renta Fija lists interest rate and currency products in Barcelona.

The future on the 10-year notional government bond, and the option on the future, is of particular interest to international investors, whose bond holdings are concentrated at the long end of the yield curve. "We have seen substantial interest from non-resident clients," said Mr Luis Lucena, a government bond trader at Banco NatWest in Madrid.

"The [existing] five-year contract is not liquid, and the three-year contract is too short for non-residents." The exchange also lists a three-month Madrid interbank offered rate (Mibor) contract.

The contract will encourage spread-trading between different bond markets. Since most liquid bond futures are based on 10-year bonds, the creation of a 10-year Spanish bond future will allow dealers to trade between, for example, 10-year German bund futures and 10-year Spanish bond futures.

However, some traders have expressed doubts about the potential liquidity of the 10-year contract, due to the small size of the cash market. The Spanish Treasury only started issuing 10-year bonds two years ago, but has assured the market that it plans to increase activity in the 10-year area. Even the moderately successful three-year contract is much less actively traded than the cash market, according to traders.

On the equities side of the business, Meff RV launched futures and options on the renamed Ibex 35 Spanish stock index in January. Average daily volume in March reached close to 10,000 contracts (futures and options) per day, according to Mr José Massa, chief executive of Meff RV.

However, the contracts are not sufficiently liquid for many institutional investors. "The size of the contracts is very small," said one London-based equity derivatives trader. "You you would have to buy about 50 contracts to have the equivalent of one FT-SE contract."

Some traders have suggested that fees should be cut on large trades, both for equity and bond products, to encourage institutional participation.

The exchange will start trading individual stock options in September. Initially, options on three to five liquid stocks, increasing to 15, will be listed. "There will be a lot of interest in options on the major stocks, like Telefónica and the leading banks," said one trader.

Meff RF's currency contracts, on the other hand, have flopped. Both pesetas/dollar and pesetas/D-Mark contracts are scarcely traded.

Because Spain acted quickly to develop its derivatives markets, it does not face the same problems as the Italians, who plan to launch government bond futures this summer, but will have to compete with a successful rival contract on the London International Financial Futures Exchange.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 7

U.S. DOLLAR STRAIGHTS — Issued, Bid, Offer, Chg. day, Yield; OTHER STRAIGHTS — Issued, Bid, Offer, Chg. day, Yield; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	70	0	9
Other Fixed Interest	10	0	7
Commercial, Industrial	226	247	993
Financial & Property	127	112	553
Oil & Gas	19	14	55
Plantations	0	2	7
Mines	9	24	114
Others	44	32	68
Totals	505	431	1,806

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1991/92 High	1991/92 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
500	F.P.	–	548	455	Amicable Smllr. Units	455		N3.1	–	0.9	–
106	F.P.	–	105	95	Avonside Group	99	–2	L5.8	2.1	7.8	8.0
–	F.P.	–	378	376	Bodycote Intl. (RFD)	377		8.75	3.0	3.1	13.8
–	F.P.	–	3	2	Brent Walker Wts to Sub	3		–	–	–	–
125	F.P.	–	125	111	Brit. Data Management	119		R4.0	2.7	4.5	10.4
–	F.P.	–	36	25	‡CRP Leisure	25	–1	–	–	–	–
–	F.P.	–	96	93	CU Environmental	95		–	–	–	–
–	F.P.	–	23	20	Do. Warrants	21		–	–	–	–
†	F.P.	–	75	56	Capital Industries 1p	56		–	–	–	–
70	F.P.	–	72	63	Fleming Inc & Cap Tst Inc.	65	–1	F4.73	–	9.7	–
100	F.P.	–	102	94	Do. Units	97		F4.73	–	6.5	–
30	F.P.	–	32½	30½	Do. Zero Div. Pf.	31	–½	–	–	–	–
110	F.P.	–	127	119	Forth Ports	124	+1	W5.5	3.6	5.9	6.2
£10⅜	F.P.	–	£12½	£10⅝	Latin Am Inc & Appr. 1c	£11½		–	–	–	–
–	F.P.	–	35	34½	M & G Recovery Inc.	35		F3.75	–	14.3	–
–	F.P.	–	13	12¼	Do. Capital	12½		–	–	–	–
–	F.P.	–	48	46½	Do. Geared Units	47		F3.75	–	10.6	–
–	F.P.	–	98	96	Do. Package Units	97		F3.75	–	5.2	–
–	F.P.	–	11	⅝	Multitrust Warrants	11		–	–	–	–
–	F.P.	–	4½	4	Platignum A	4		–	–	–	–
–	F.P.	–	104	102	Riv & Mrc Tst Inc12 1/2p	103		N9.2	–	11.9	–
–	F.P.	–	124	117	Do. Stpd Prf 12 1/2p	123		N5.6	–	6.1	–
115	F.P.	–	128	121	Roselys	127		L4.3	1.7	4.5	14.6
100	F.P.	–	100	98	Templeton Emrg. Mkts. C.	99		–	–	–	–
–	F.P.	–	160	150	Usher-Walker (RFD)	151	–2	5.5	1.3	4.9	20.7
–	F.P.	–	23½	22½	Welpac (RFD)	22½		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	101½p	97¼p	Bank of Ireland Units Non-Cum Prf A	97¼p	-¼
-	F.P.	-	12p	8p	Brent Walker Var Rte 2nd Prf '00/07	10p	
-	F.P.	-	8½p	7p	Do.8½pc 3rd Non-Cum Cnv Prf 2007/10	8½p	+1
10p	F.P.	-	10p	8p	Bucce Whiting 10pc (Net) Cv Prf 1994	9p	
100	F.P.	-	107½	92½	Cambourne Inds. 10½pc Rd. Deb 2001	95⅝	
100p	F.P.	-	108p	100p	Fidelity Euro. Values Equity Ln 2001	108p	+1
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	105	
-	F.P.	-	49½p	48¾p	M & G Recovery Zero Div Prf 1p	49p	-¼
100p	F.P.	-	105¾p	97p	NatWest Bank 9pc Prf Series A	97¼p	-¼
650p	P.P.	-	353p	330p	Thorn EMI Non-Int. Bearing Cv Units	353p	+3
$	F.P.	-	75p	68p	Wembley 6p (Net) Cv Cum Prf 1999	68p	

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings — March 30
- Last Dealings — April 10
- Last Declarations — July 9
- For settlement — July 20

3-month call rate indications are shown on this page.

Calls in: ASDA, Aviva, Berkeley Group, Owners Abroad, Premier, Psion, Prudential and Rosehaugh.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	17	Sears	8	■ OILS	
Allied-Lyons	49	Comm Union	32	Legal & Gen	27	SmKl Bchm A	65	Aviva Pet	30
Amstrad	5½	Courtaulds	39	Lex Service	16	TI	48	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	50	FKI	5½	Lonrho	15	Tesco	19	Conroy Pet	8
BOC	49	FNFC	8	Lucas Inds	10½	Thorn EMI	58	Gaelic Res	½
BTR	32	Forte	18	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	28	Midland Bank	19	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	23	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	■ MINES	
Bowater	58	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	16	Brit Land	18		
British Steel	6	GRE	10	Rank Org	52	Land Sec.	32		
Brit Telecom	24	Hanson	16	Ratners	3	MEPC	26		
Cadburys	33	ICI	90	Reed Intl	39	Mountleigh	1½		

Tesco hits £546m but slows in second half

By Maggie Urry

HIGHER productivity, new store openings and the benefit of the £572m rights issue a year ago helped Tesco, the food retailer, to increase pre-tax profits by 25 per cent to £545.5m in the 53 weeks to to February 29.

Excluding property disposals, profits rose by 31 per cent to £545m (£417.1m).

Sir Ian MacLaurin, chairman, said the recession had started to hit the company in the second half of last year but sales were now showing marginal volume growth on a comparable basis.

With further productivity gains as well, he expected "yet another year of profit growth". Tesco's shares rose 4½p to 255½p.

Colin Beere

Sir Ian MacLaurin, right, with managing director David Malpas

Sales for the year grew by 12.9 per cent to £7.6bn including VAT, with about 2 percentage points of the gain coming from the 53rd week of the financial year. The first half saw sales up 12.5 per cent to £3.3bn.

The second half sales increase was 13.1 per cent to £4.3bn, but of that 3.6 percentage points was due to the extra week's trading. However, the sales rise in comparable stores was 6.5 per cent in the first half and 2.5 per cent in the second.

Operating profits were 19.8 per cent ahead at £503.3m, giving a margin on sales excluding VAT of 7.1 per cent (6.6 per cent). First half operating profits rose 24 per cent to £200.2m while the second half advance was 17 per cent to £303.1m.

The second half saw the start of Sunday opening in England and Wales in the run up to Christmas.

Sir Ian said this had been "an unqualified success" with 500,000 people shopping at Tesco on Sunday.

In Scotland, where Tesco had been open on Sunday for eight years, Sunday sales accounted for over 10 per cent of the week's business – in England and Wales it currently represented about 5 per cent.

After capitalising interest of £88m (£63m) interest receivable was £65.5m (£19.1m). The interest benefit from the rights money was about £69m although it caused a 3 per cent dilution at the earnings per share level. Mr David Reid, finance director, said capitalised interest would fall in 1992-93 to about £78m.

The group's capital spending programme is beginning to slow. In 1990-91 the group spent £950m, this fell to £850m last year and will drop to £800m in the current year. Sir Ian said that land prices and building costs were falling.

Last year 24 stores were opened and two extended adding 977,000 sq ft of sales space, while 12 totalling 175,000 sq ft were closed taking the total to 396 stores with net selling area of 10.5m sq ft.

The current year would see a 1.1m sq ft increase with 28 stores opening, and 20-25 stores are planned for 1993-94 adding 900,000 to 1m sq ft.

At the year end net gearing was 14.4 per cent. Mr Reid said there was still a cash outflow from the business, which would be about £200m in the current year, taking year end debt to about £550m.

However, the outflows would reduce and the group would be cash neutral by 1994-95 with gearing staying well under 30 per cent.

During the year Tesco raised £320m through long-term debt instruments and £50m from the sale and leaseback of six stores.

Improved working capital control contributed £59m to group funding, with the stock turn at the year end down to 2.5 weeks (2.8 weeks), the lowest in the industry, Tesco claimed.

A fall to 2 weeks is expected in the next few years as benefits from automatic reordering come through.

High wage increases last year meant the ratio of wages to sales worsened by 0.3 percentage points but Mr David Malpas, managing director, said this would improve by 0.2 percentage points in the current year.

After a 27.5 (30.6) per cent tax rate fully diluted earnings per share rose 20.2 per cent to 19.95p, excluding the profits on property sales. A final dividend of 4.3p (3.6p) is proposed giving a total of 6.3p (5.25p) a rise of 20 per cent.

See Lex

P&O and CDC sell container stake

By Simon Holberton in Hong Kong

CHINA MERCHANTS, one of Beijing's biggest companies operating in Hong Kong, yesterday agreed to pay £100m for a 15 per cent interest in Modern Terminals (MTL), from the Peninsular and Oriental Steam Navigation Company and the Commonwealth Development Corporation.

The share of MTL will give China Merchants a stake in Hong Kong's second largest container operator and a front seat in bidding for the construction and operation of the colony's proposed ninth container terminal.

P&O sold 8.1 per cent of its 23 per cent stake in MTL for £55m, realising a profit of £49m on book value. CDC, a UK government financial institution which invested £2m in 6.9 per cent of MTL in 1975, walks away with £45m.

P&O will retain 14.9 per cent of MTL. The capital released from the sale will allow it to expand in the region.

MTL's other shareholders are Wharf, which owns 25.6 per cent, and Swire, which has 13 per cent.

Addison rights left with underwriters

By Raymond Snoddy

A £16.3m rights issue designed to pay for Addison Consultancy's purchase of the main businesses of AGB Research has been left with the underwriters.

AGB was bought in February from the administrators of the private interests of the collapsed empire of the late Mr Robert Maxwell in a deal worth £14.75m.

Only 2.4 per cent of the issue was taken up, with main Addison shareholders such as Lord Hollick's MAI group deciding not to take up their rights.

The issue was underwritten by Robert Fleming, the merchant bank, and was fully sub-underwritten by a number of institutions.

Flemings were putting a brave face on the outcome yesterday and said the financing had always been regarded and marketed as more of a placement than a rights issue.

MAI made it clear at the time the rights issue was announced that it intended to sell its then 24.8 per cent stake if the acquisition was completed.

As a result of the rights issue the original Addison shareholders have had their stakes diluted and the company now has, by design or otherwise, a raft of institutional investors.

Flemings declined to say last night who the sub-underwriters were other than to say that they were a group of well-known institutions.

Mr Tony Cowling, chief executive of Addison, was unavailable for comment yesterday.

A number of former AGB executives were also able to subscribe. Acceptances were received for a total of 3.6m new ordinary shares offered under the rights issue.

Certificates for the new ordinary shares will be sent to shareholders by May 22.

Addison shares closed down ½p at 10½p.

Overseas activities hold Meggitt downturn at 2%

By Richard Gourlay

MEGGITT, the specialist engineering group, yesterday reported profits down only 2 per cent as a result of resilience in its overseas markets.

The pre-tax line for the 1991 year fell from £23.9m to £23.5m on sales down less than 1 per cent at £301.9m.

Earnings per share fell from 9.4p to 8.6p, reflecting what Mr Ken Coates, chairman, said was "a remarkable performance" for the industry. The company is to pay a final dividend of 2.4p, giving a total of 3.6p – up 5.6 per cent for the year.

The largest controls division was strongly supported by sales in Germany and to a lesser extent in France but was hit by recession in the UK. Mr Coates said several UK companies had seen an improvement in orders in recent months. Profits rose 10 per cent to £7.4m.

In aerospace, where profits rose 15 per cent, the group continued to develop civil markets and benefited only briefly from Gulf war-related spending.

The smaller electronics and energy divisions increased profits by 14 per cent and 21 per cent respectively, although the latter reported delays in capital spending in the second half.

Meggitt also cut £25m out of working capital during the year, reducing gearing from 59 per cent to 26 per cent before the £39m rights issue last September. At the year-end it had £22m cash on deposit.

Mr Coates said the group had "taken advantage of the recession to do all the things you need to do in a business that has grown very quickly".

The group also provided within minority interests for a redemption premium – the additional cost to the company should preference share holders redeem their shares.

This was in line with a new accounting directive on convertible bonds issued by the Urgent Issue Task Force of the Accounting Standards Board.

● COMMENT

Meggitt has about it the air of a company preparing the market for a rights issue-financed acquisition. Opportunities have not been as good for quite a while, we are led to believe. There is, however, a case for caution and not only because Meggitt so nearly got its fingers burned before it walked away from its 1990 bid for USH. Operationally, the controls division will be unable to rely so heavily on Germany or France where growth is slowing and signs of recovery in the UK that Mr Coates refers to are still little more than faint stirrings. Likewise aerospace, the other key division, is in for a rough couple of years with aircraft orders falling globally. Brokers are looking for pre-tax profits this year, including the benefits of the recent acquisition of Endevco, the US sensors company, of £25.8m, giving a prospective multiple of 11.

Next surprises City with turnround to £12.3m

By Maggie Urry

NEXT, the fashion retailer, surprised the City by announcing pre-tax profits of £12.3m for the year to end-January, compared with a loss of £40.7m and after profits of only £200,000 in the first half. The shares rose 5p to 71p.

Next also said it planned a final dividend of 0.75p, after passing the final dividend last year and omitting the interim for 1991-92. Lord Wolfson, chairman, said he anticipated paying both an interim and final dividend for the current year.

The profit increase was helped by a £1.5m pension holiday which Lord Wolfson said would continue for the next two years at least. However, the depreciation charge of £20.5m included a £4.5m one-off write-down of fixtures and fittings as the group adopted more conservative policies.

The group's results were distorted by the sale of Grattan, its mail order side, last year. Group turnover was £462m compared with £878m which included £401m of sales from discontinued businesses. Operating profits were £11.1m against a year earlier operating loss of £2m before a £9.2m profit from discontinued businesses.

Interest receivable was £1.2m (payable £14.4m) and there were no exceptional charges (£33.5m charge).

The high street retail operation made an operating profit of £6.4m (loss £2.3m), on sales only 3.2 per cent higher at £282m. After a first half loss of £1m the second half made £9.1m before a £1.7m loss (£200,000 loss) in the Next to Nothing clearance shops.

Lord Wolfson said costs had been cut and ranges improved. The group had managed its stock better, meaning less excess stock. As a result there had not been enough for the group's clearance shops to sell, causing the higher loss there, and all but six had been sold.

The Next Directory home shopping business increased operating profits from £2.6m to £4m, on sales up from £87.5m to £88.1m. The sales gain was less than budgeted but there were fewer markdowns here too.

Club 24, the credit card business, lost £22m but this was charged to the £33.2m provision set up in the previous financial year. Lord Wolfson said that £10m of the provision was left but the group did not expect to use it all.

Tax was £900,000 (£9.3m) which represented advance corporation tax on the proposed dividend. Lord Wolfson said the group would have a low tax charge for the next four years.

Earnings per share were 3.08p (losses 13.58p).

The balance sheet had cash of £106.5m at the year end thanks to the sale of Grattan, which raised £167.5m. The cash will partly be used to redeem the eurobond in October costing £70.8m in principal with £22m of supplemental interest.

● COMMENT

It is surprising just how quickly a retail group can be turned round when management gets to grips with the problems. Once the sale of Grattan had secured the group financially, Next could tackle its fundamental problems and set to the task with vigour. The figures are even better than they look given the depreciation charge. The group reckons it has done at least a third of the work, though this is the easiest part, but the momentum is there and staff morale is apparently high. On forecasts of £22m for the current year, and a low tax charge, the prospective p/e is just over 13 which could come down to under 10 next year. Although the shares have done well there is some more to go for.

United Friendly rises to £20m

By David Barchard

United Friendly Group, the life and general insurance underwriter, made profits of £20.1m in the 1991 year, up from £18.8m last time and slightly ahead of market forecasts.

The company has funds of £2bn under management.

Life premium income rose by 6 per cent to £165.8m, ordinary branch premiums overtaking industrial branch premiums for the first time. The improvement was largely due to the success of single premium and recurring single premium pensions sales.

Total new annual life premiums were £20.6m, while new single premiums were £7.6m. There were also an estimated £12.7m in new recurring single premiums on SERPS-related pensions.

Holders of with-profits life policies were allocated a record £140.8m (£119.9m) in bonuses.

Investment income declined to £8.4m (£10.1m) as a result of lower interest rates.

General branch premiums written totalled £71.7m (£60.8m) and the underwriting result for the year was a slightly reduced loss of £4m (£5m).

A final dividend of 8.1p makes a 12.3p (10.25p) total.

BET refinances $140m of Amps

BET, the industrial services group, is refinancing $140m (£81m) of its $500m of auction market preferred stock (Amps) by way of a private placement by the National Westminster Bank.

Amps are securities which can only be redeemed by the issuer and which have an interest rate set by investors bidding for the paper at auctions, generally held every 28 days.

However, some Amps issues have been fixed for five year periods.

NatWest will issue $140m of notes in the US private placement market, and use the proceeds to buy some of BET's Amps. Investors in the notes will still be exposed to BET's credit risk.

The NatWest notes will have a five year term giving BET a fixed rate of interest over that period. After that the Amps will come back into the market.

Observers said that by taking $140m out of the $500m Amps BET has outstanding, the rest may achieve a more favourable interest rate at future auctions. BET's Amps have this week been downgraded by Standard & Poor's, the credit rating agency, from A to A-.

See stock market report

St Ives static with £10.1m

By Angus Foster

St Ives, the UK's largest independent printer, yesterday reported static interim profits reflecting tough conditions in its core magazine and book printing businesses.

The company, which prints titles like Which, Marketing Week and the Tatler, announced unchanged pre-tax profits of £10.1m for the six months to January 31 on turnover ahead to £109.1m (£108m).

The results exceeded expectations and the shares gained 4p to 233p.

Operating profits increased slightly to £10m (£9.8m) and would have been higher still without £400,000 (£300,000) of redundancy costs and £300,000 of bad debt provisions.

Earnings held steady at 7.3p. The interim dividend is maintained at 1.5p.

The re-equipment programme, which has cost £130m over the last five years, is now largely complete.

Strong performance by publishing boosts Boosey

By Peggy Hollinger

STRAINS OF Stravinsky, Rachmaninoff carried Boosey & Hawkes, the instrument maker and music publisher, to a 24 per cent increase in profits last year.

The pre-tax return at one of Britain's oldest music publishers rose from £3.25m to £4m for the 1991 year on turnover 9 per cent higher at £53.7m.

The strongest performance came from the music publishing division where turnover rose by 13 per cent to £11.6m with operating profits jumping 31 per cent to £3.5m.

Mr Richard Holland, chief executive, said the bulk of the division's profits growth had been derived from royalties.

The group continued to seek out and sign new talent – such as John Adams, composer of the opera *Nixon in China*.

He warned, however, that growth in publishing would slow this year, as the sharp increase had followed a meagre rise in 1990.

The group closed its printing factory in north London. Mr Holland said the benefits of contracting out the work would be felt this year. The costs of closing the factory and shutting a loss-making Scandinavian company offset the gain of £0.5m on yen exchange rates.

The instrument division was hit by the effects of the Gulf war and recession. Turnover increased by 8 per cent to £42.1m while operating profit benefited from cost cutting to rise by 13 per cent to £3.1m.

The group, 51 per cent owned by the US music publisher Carl Fischer and its pension fund, cut gearing by 5 percentage points to 69 per cent.

Earnings were 60p (49.4p). The final dividend is raised to 14.5p for a total of 20p (16.4p).

Wardle Storeys edges ahead

By Roland Rudd

Wardle Storeys, the plastic and safety equipment group, yesterday dismissed talk of an economic recovery in the UK as "election fever" after announcing a marginal rise in pre-tax profits, from £4.29m to £4.36m, for the six months to February 29.

Mr Brian Taylor, chief executive, said: "You have to be a fully paid up member of a political party to believe that a recovery has taken place. Talk of recovery is not connected with rational thought; there is no evidence of any upturn."

A strong performance from parachutes and life rafts enabled the group to report its first profit increase since November 1990 on reduced sales of £24.8m (£28.3m). Operating profits from safety and survival equipment, tailored to special forces unconnected with the recent defence cuts, rose to £1.88m (£1.43m).

The interim dividend is maintained at 4p.

Magnetic Materials in the red

Magnetic Materials Group, the USM-quoted company which last year fought off a £9.9m bid from the acquisitive TT Group, plunged into the red during the first half as restructuring costs and recession eroded profits, writes Peggy Hollinger.

Mr Brian Morris, who took over as chairman in July, said the group's first interim loss was due to a sharp decline in the order book. He added, however, that orders since January were one third higher than last year at £4.5m.

Pre-tax losses of £1.82m, after exceptional restructuring charges of £1.23m, compared with profits of £220,000. The result was further depressed by interest charges of £168,000, compared with gains of £50,000, due to the costs of fighting TT's bid. Turnover for the six months to December 31 fell from £7.34m to £6.82m.

Losses per share were 10.1p (earnings of 0.8p). The interim dividend is reduced to 0.6p (0.9p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baillie Gift Tec	fin	0.2	June 11	1.4	0.2	1.4
Boosey & Hawkes	fin	14.5	May 29	12.4	20	16.4
Bourne End	fin	1	July 7	1	1	2
British Dredging	fin	4.8	May 29	4.8	7.4	7.4
City Centre Rest	fin	1.01	June 5	0.94	1.46	1.39
Dagenham Motors	fin	4	May 28	4	5.75	5.75
FBD §	fin	2♣	-	1.7	3.6	3
Ipeco	fin	2.2	June 12	2	3.4	3.2
Magnetic Mats §	int	0.6	May 22	0.9	-	3
Meggitt	fin	2.4†	July 3	2.31	3.6	3.41
Next	fin	0.75	July 1	nil	0.75	0.7
Ossory Estates	int	0.15†	-	0.4	-	0.85
Pegasus §	int	3.5†	Aug 5	3.5	-	12.1
Pitlencrieff	fin	3.5	May 21	2.5	6	4.5
QS	fin	3.3	July 7	3	4.75	4.31
St Ives	int	1.5	June 5	1.5	-	5
Sherwood Group §	fin	7.5	May 27	5.9	11.4	9.1
Tesco	fin	4.3	July 1	3.6	6.3	5.25
United Friendly	fin	8.1	May 29	6.75	12.3	10.25
Wardle Storeys	int	4	-	4	-	18

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish currency.

COMPANY NEWS: UK

Cost control helps boost Sherwood 36% to £14.5m

By Daniel Green

TIGHT CONTROL of costs and a high level of automation helped full-year profits at Sherwood Group, the lace and sock manufacturer, rise 36 per cent, from £10.6m to £14.5m pre-tax.

The Nottingham-based company is applying to move from the USM to the main market from May 11.

It also announced a 4-for-1 scrip issue and the addition of a non-executive director to the board.

These changes will "help attract a wider shareholder base," said Mr David Parker, chairman and chief executive.

Turnover for 1991 rose to £118.2m (£95.8m) and earnings per share climbed 25 per cent to 54.5p (43.5p). The total dividend is lifted to 11.4p (9.1p) via a proposed final of 7.5p.

The company was cash generative and saw gearing fall from 78 per cent to 44 per cent. "It should be below 40 per cent by the end of 1992," said Mr Parker.

Sales by the company's garments operation were boosted by the acquisition last year of sock maker Samuel Eden.

The acquisition of a second sock supplier, Charles W Hall, came too late to affect the figures.

The division's turnover rose to £40m (£30.3m) and trading in the first few month of this year was "ahead of budget" and close to a 10 per cent improvement on 1991. By contrast, lace sales this year have been virtually flat. In 1991, they were worth £79m (£66.7m).

Margins in both lace and garments showed small improvements over the year.

The company is sharply increasing capital spending from £4.02m to £7.65m.

The shares rose 10p to 790p.

● COMMENT

Recent visitors to the company's headquarters may have wondered how it could afford to refurbish its offices with wood panelling in the middle of a recession. Now they know the answer. Sherwood employs as few people as possible and lets machines do the work. The six years since flotation have seen earnings grow 29 per cent compound each year. It will be hard to maintain that pace, especially since lace sales are flattening after two years of strong growth. Pre-tax profits this year should reach £19m for a p/e of less than 13. The fickle world of fashion might yet deem lace to be passé, but Sherwood is one of the few growth stocks in a yield-dominated sector.

Waterford Wedgwood reduces deficit to I£2.7m

By Tim Coone in Dublin

WATERFORD Wedgwood, the Dublin-based crystal and ceramics group, reported a pretax loss of I£2.7m (£2.5m) for the 1991 year.

The previous year's deficit was was I£21.4m.

Operating profits showed a 9 per cent decline to I£9.1m (I£10m). The outcome was helped by a halving of the interest charge to I£6.5m (I£13m) and lower exceptionals of I£5.3m (I£18.4m).

Without the exceptional item this year, relating to "initiatives taking place in late 1991 and 1992 to reduce manufacturing costs" the group would have broken even.

Waterford Crystal cut operating losses to I£1.2m (I£4.8m) on turnover of I£73m (I£76.7m).

Operating profits in the Wedgwood division fell to I£10.3m (I£14.8m) on turnover of I£219.1m (I£231.2m).

Mr Richard Barnes, chief financial officer, said that the exceptional item has been split 60:40 between the Wedgwood and Waterford divisions.

At Wedgwood it related to the closure of "three ancient plants" and their consolidation into other factories which would be completed by May, and "a small number of redundancies in the first half of 1992".

The Waterford division exceptional was a provision for redundancies during 1992.

Group turnover fell 5 per cent to I£292.1m (I£307.9m). The recession and the Gulf war were blamed for a 13 per cent drop in sales volume.

Losses per share amounted to 0.73p, against 4.29p last time, close to market predictions.

Cadbury Schweppes buys Alma brands

Cadbury Schweppes has acquired the Hacks and Victory V brands from the receivers of Alma Holdings for £3.08m cash.

The purchase price included the production equipment and the Angus manufacturing facility in Dundee.

Hacks and Victory V are well-known brands in the UK medicated confectionery market, estimated to be worth some £68m a year.

Tuskar agrees Colombian deal with Coplex

Tuskar Resources, the Dublin-based exploration company, yesterday announced an agreement with Coplex which gives the Australian exploration company a 54 per cent interest in Tuskar's Rubiales and Piriri licences in Colombia, writes Tim Coone.

In return Tuskar will receive up to 10m Coplex ordinary shares.

Last week Coplex announced a surprise I£4.67m (£4.36m) share-exchange bid for Tuskar which is expected to go ahead.

Tuskar said that the purpose of the agreement was to secure drilling licences in the two fields which are due to expire in June. Last February Mr Neil O'Donoghue, chairman, announced that Tuskar was unable to raise the finance necessary to complete its drilling programme.

Under the new deal, Coplex will fund the obligatory drilling programme in the two fields to meet the requirements specified by Ecopetrol, the Colombian state petroleum company, which will require some I£3m and will secure the licences until June 1994.

Losing the sparkle in a cold climate

Philip Rawstorne on how the recession and forced restructuring has hit Whitbread

WHITBREAD's 250th anniversary this year finds it with little cause to celebrate.

The veteran of the UK brewing industry is suffering more than its rivals from exposure to the chill economic climate and the rigours of the industry's enforced restructuring.

With 92 per cent of profits generated inside the UK, even some long-time supporters in the City are beginning to worry about its pinched and harried look.

Will it recover its former bounce and emerge rejuvenated when the long-promised economic recovery comes?

Its financial constitution remains sound. Until this year it had enjoyed 16 years of uninterrupted profit growth. Net debt stands at less than £400m, gearing at 16 per cent, and interest is covered 8 times.

"Over the last 18 months," says Mr Peter Jarvis, chief executive, "existing businesses have been broadly cash neutral and we have borrowed to make acquisitions."

The troubles that beset Whitbread, Mr Jarvis insists, are peripheral: the body of the business is healthy though there may be a touch of frostbite to the toes.

But as the recession and the increasing competitiveness of the industry combine to depress the outlook for beer volumes, prices, and margins over the next two or three years, some industry observers are sceptical about the ability of Whitbread's breweries and pubs to continue pumping out the profits it needs to expand its other retailing operations.

Consolidation of the brewing industry has left Whitbread well behind Bass, Courage, and Allied/Carlsberg (if that merger is approved) with a 13 per cent share compared to the others' 19 per cent to 23 per cent. But Whitbread's niche is stronger than its national position suggests.

Production and distribution is as cost-efficient as any of its rivals. It was the first UK brewer to build large green field production plants and it has further reduced costs by closing four breweries in the last three years.

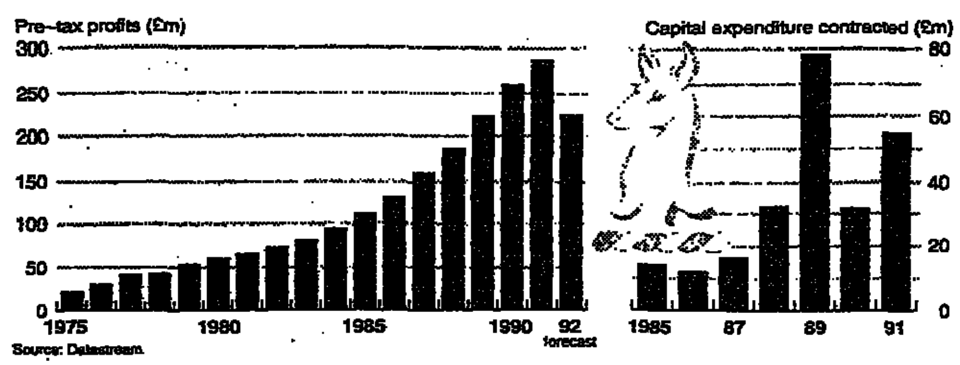
Peter Jarvis: a touch of frostbite to the toes

Its draught beer business is tightly focused, giving it the biggest market share in south-east England, and a strongly competitive position along the south coast, in the west country, and the north-west. It also has strong beer brands. Heineken and Stella Artois lagers make it market leader in the growing take-home trade. Boddingtons heads a sizeable portfolio of cask-conditioned ales; Murphy's stout, in only its second year of distribution, last year achieved £75m in retail sales.

Continuing success for these brands is essential if Whitbread is to maintain its position as the beer market becomes freer under the impact of the government's beer orders, requiring the national brewers to release some 11,000 pubs from exclusive beer supplies.

Whitbread's announcement of charges of £37m for bad debts shows how costly and relatively unsuccessful its attempts to extend its foothold in free trade pubs have been. Of its 11,000-12,000 customers, about a quarter are in financial difficulties.

The restructuring of pub retailing, initiated by the Monopolies and Mergers Commission, has been more onerous on Whitbread than any of its competitors.



Source: Datastream

The group's pubs, with average beer sales smaller than those of their rivals, have been more difficult to sell in the depressed property market. About 1,000 have been sold, however, at book value; and another 300 are expected to be sold before the November 1 deadline. The remaining 1,200 are to be leased free of the tie and for short-term periods to regional brewers and pub companies.

One complication remains to be sorted out. Stakes held by Whitbread and the associate Whitbread Investment Company (WIC) in regional brewers Marston's, Morland, and Brakspear, and in the Devenish and Boddington pub companies, bring their pub estates into the reckoning.

If the shareholdings remain unchanged, Whitbread would have to free another 1,000 pubs. The competitive disadvantages that would bring make it certain the stakes will be diluted. Some speculate that a solution may be found in the abolition of Whitbread's "poison-pill" two-tier share structure.

Whitbread has made a £87m provision for the cost of this restructuring, which will deliver another knock to beer sales. It will be left, however, with a tied estate of about 4,150 pubs which have been the focus of an intensive refurbishment programme over the past four years.

Since 1988, £60m a year has been ploughed back into improving the 1,600 managed houses; and 1,500 of the 2,500 tenanted pubs have so far been similarly upgraded to attract the more discerning customer of the 1990s.

Pubs have been contributing more than half of Whitbread's profits, and from them was bred the retailing management skills on which its expansion has been largely based.

Whitbread's hotels – from the upmarket Country Club chain to the economy Travel Inns – have continued to perform ahead of rivals in the recession-hit market. More than £400m has been spent on improvements in the past four years, and there seems no reason to doubt they will prosper from any upturn in the economy.

Benefits should soon be evident,too, from some shrewd acquisitions in other fields. With the £49.5m purchase of the Dominic off-licence chain from GrandMet last October, Thresher is now the largest specialist drinks retailer in the UK with a total of 1,660 stores, well placed to share in the expected growth of the take-home drinks trade this decade.

The £115m acquisition of the Berni pub/restaurants has strengthened its Beefeater chain; and TGI Friday's, the US-style diners, Henry's cafe bars, and Mulligans fish restaurants, are being gradually expanded.

Pizza Hut, the UK joint venture, has consolidated its grip on the pizza sector of the competitive fast-food market, with an overall 35 per cent share.

Its success in the UK promised much for Whitbread's future profits in the development of the European franchise. Mr Jarvis does not hide his regret about the decision to withdraw from that venture after an initial £40m investment. "It had great potential," he says, "but the exit terms on offer were just not good enough to safeguard shareholders' interests in the huge investment needed."

The European development would also have helped reduce Whitbread's dependence on the UK market – the cause of much of its present troubles. Virtually its only overseas interests are its small but successful Keg restaurants in North America and Australia, and the Churrasco steak houses in Germany.

"The strategy, however, remains intact," he says. "We intend to prove to ourselves that we can run restaurants in these countries as well as any other operator – and then do it on a bigger scale."

NEWS DIGEST

Second half limits City Centre fall

AN IMPROVEMENT in the second half helped City Centre Restaurants limit the fall in pre-tax profits to 14 per cent in 1991. The first half was affected by the Gulf war, severe weather and transport disruption.

Turnover was £79.8m (£75.7m) and pre-tax profits were £9.1m (£10.6m). Interest received fell to £62,000 (£544,000), reflecting investment in new branches. However, at the end of the period cash balances exceeded £4m and were expected to grow.

Earnings per share were 3.79p (4.04p). A final of 1.01p makes a total of 1.46p (1.39p).

FBD

Profits before tax of FBD Holdings, the Dublin-based insurance company which is quoted on the USM, rose by 15 per cent to I£9.33m (£8.7m) for 1991.

The improvement was struck on an 18 per cent increase in turnover to I£74.4m.

Earnings emerged at 13.02p (11p) and a final dividend of 2p makes a 3.6p (3p) total.

Baillie Gifford Tech

Net asset value per share at Baillie Gifford Technology stood at 11.5p on February 29 compared with 40.9p a year earlier.

Net revenue for the year amounted to £39,786 (£204,012) for earnings of 0.36p (1.85p). The dividend is cut from 1.4p to 0.2p.

British Dredging

A virtually static second six months left British Dredging, the building materials supplier, with profits of £2.47m pre-tax for 1991, a 28 per cent downturn on last year's £3.45m.

The figures were helped by exceptional credits this time of £504,000. Turnover declined from £34.9m to £32.6m.

A maintained final dividend of 4.8p makes a same-again 7.4p total.

BLP

BLP Group, the USM-quoted maker of wood laminates and mouldings, reported increased losses before tax of £2.6m for 1991. That compared with a deficit of £198,000 last time and came from turnover down by 31 per cent to £37.7m.

The pre-tax figure was struck after an exceptional charge of £1.9m relating to a £1.43m provision against loans to the BLP Employee Share Ownership Plan Trust and reorganisation costs.

In addition there was an extraordinary loss of £535,000 arising from disposal of the 95 per cent interest in Berg.

Losses per share came out at 38.2p (4.4p).

Ipeco

Ipeco Holdings, the aerospace equipment manufacturer and engineer, reported pre-tax profits 6 per cent lower at £3.38m, against £3.59m, for 1991. Turnover was slightly higher at £18.1m (£18m).

Operating profit was £2.92m (£2.96m). Earnings were 8.18p (8.74p) and an increased final dividend of 2.2p is proposed for a total payment of 3.4p (3.2p).

Ossory Estates

Pre-tax profits of Ossory Estates, the property investment and development group, amounted to £1.52m for the six months to December 31, down from £4.05m for the corresponding period of 1990.

Turnover totalled £7.36m (£4.26m). A nominal interim dividend of 0.15p (0.4p) is declared.

Dunloe House

Dunloe House Group, the quoted Irish property development company, incurred a pretax loss of I£1.05m (£980,000) for 1991, compared with profits of I£107,000.

Turnover was I£396,000 (I£10.4m). Losses came out at 4.15p (earnings 0.79p).

QS

QS Holdings, the clothing retailer, lifted pre-tax profits from £7.15m to £7.79m in the 53 weeks to January 31.

Mr Marc Walters, chairman, said that turnover advanced to £45.6m (£42.3m), resulting in a virtually unchanged net margin of 17 per cent.

Earnings worked through at 12.47p (11.65p) and the final dividend is 3.3p for an increased total of 4.75p (4.31p).

Bourne End

Bourne End Properties reported losses sharply reduced, from £2.21m to £1.42m pre-tax, over the 1991 year.

Directors have decreased the book value of the portfolio leading to an overall reduction in net asset value from 159p to 103p per share.

Losses per share fell from 26.4p to 13.7p. The interim dividend was omitted but a proposed final of 1p compares with the previous year's total of 2p.

Pegasus

Pegasus Group, the USM-traded computer software supplier, saw its interim profits dive from £774,000 to £320,000. Turnover for the six months to January 31 declined to £3.37m (£4.14m).

Earnings per share worked through at 3.8p (8.9p), but the interim dividend is maintained at 3.5p.

Wescol

Wescol Group, the Halifax-based steel fabrication company, reported pre-tax losses of £379,000 for the six months to January 31.

The outcome compared with a deficit of £180,000 in the corresponding period and losses of £1.21m for this USM-quoted company's last full year.

Turnover dived 35 per cent to £8.67m.

Losses per share emerged at 3.6p (1.1p).

Pittencrieff

Pittencrieff, the Edinburgh-based oil and gas and communications company, yesterday reported a 73 per cent improvement in pre-tax profits to £3.51m for 1991.

The communications business contributed 55 per cent to turnover and 40 per cent to gross profits compared with 25 per cent and 23 per cent respectively in 1990.

The directors believed that, in due course, the mobile communications business should establish itself as a major corporation in its own right and as a consequence, a number of options including demerger of the oil and gas business were being considered.

Group turnover for the year almost doubled to £10.2m. Earnings emerged at 17.25p (14.01p) and a final dividend of 3.5p makes a 6p (4.5p) total.

Tops Estate

Tops Estate, the property investment group, has placed a further tranche of £25m nominal of 10.25 per cent first mortgage debenture stock 2011-16. Following this fourth tranche there will be £75m in issue.

The gross redemption yield at issue will be at a margin of 1.95 per cent over yesterday's level at 3pm of 9 per cent Treasury stock 2008. Dealings in the further stock are expected to start today.

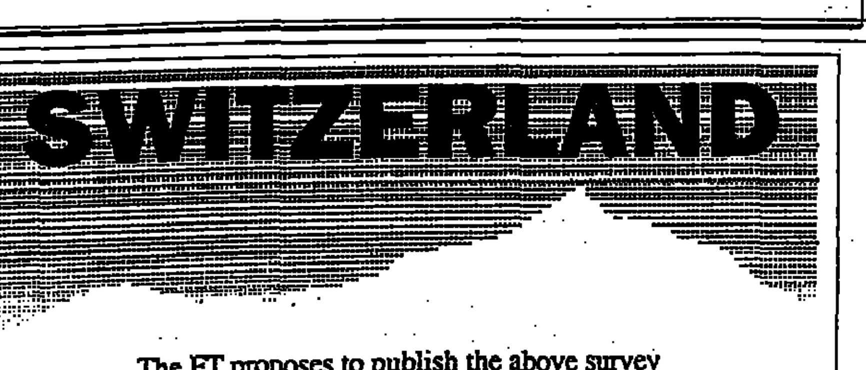
Dagenham Motors

Dagenham Motors, the London and south-east-based motor dealer, saw pre-tax profits fall by 38 per cent, from £3.41m to £2.11m, in the year to December 31. Turnover rose some £2m to £127.2m.

Mr David Philip, chairman, said that contrary to many forecasts, 1991 saw yet another decline in both car and commercial vehicle markets.

The group had, however, taken advantage of opportunities presented by the recession and acquired two dealerships towards the year-end.

An unchanged final dividend of 4p is proposed to maintain the total at 5.75p.



COMMODITIES AND AGRICULTURE

Inco production cuts send nickel prices higher

By Kenneth Gooding, Mining Correspondent

THE NICKEL market was sparked to life yesterday, first by rumours of a strike at Norilsk in Russia, the world's biggest producer, and later when Inco of Canada, the second-largest, said that it would cut output this year by about 10m lb (4,500 tonnes).

Inco said that its highest-cost mine would temporarily close and holidays at its Ontario division mines would be extended.

Analysts suggested Inco hoped to stop the nickel price falling. Nevertheless, at the close last night the London Metal Exchange price of nickel for delivery in three months was up $57.50 a tonne at $7,530.

Earlier, the price had been buoyed by the Norilsk strike rumours. These helped push three-month nickel to $7,535 at one stage. However, Reuter *last night reported Russian* sources as saying there were no labour problems at Norilsk.

Inco said it would suspend production at its Shebandowan mine near Thunder Bay, Ontario, for three months. About 350 contract employees are affected. Inco will also extend from four to five weeks the planned summer holiday shutdown at Ontario division mines.

Analysts suggest the 10m lb production cut represents about two per cent of Inco's previously scheduled 1992 output.

Mr William Adams, analyst at Rudolf Wolff, part of the Noranda group, said: "This won't push the market higher on a sustained basis, but it will help to stop the price moving below $7,200 [a tonne]".

Mr Angus MacMillan, analyst at Billiton-Enthoven Metals, a Royal Dutch/Shell subsidiary, also suggested the cut would have little impact on nickel prices given the level of LME stocks (down 66 tonnes yesterday to 26,202 tonnes) and the market's expectation of more Russian nickel exports. He said another Russian boat carrying 11,000 tonnes of nickel left for Rotterdam yesterday "and, when it has been cut, most of it will make its way on to the LME".

Refined nickel production in the western world reached *600,000 tonnes last year and the* Metals & Minerals Research Services consultancy organisation estimates that this year output will be between 575,000 and 585,000 tonnes. It suggests shipments from Cuba and Russia will far outweigh imports by China, so western producers must trim output to halt further price falls, "particularly as marginal producers are uncomfortable with prices much below $4 a lb ($8,816 a tonne)".

Overfishing crisis threatens rift, Canada warns EC

Ken Warn monitors the escalating war of words associated with an explosive foreign policy issue

THE WAR of words over what Canada claims is foreign overfishing outside its waters is reaching new levels of intensity. "This is the most explosive foreign policy issue that Canada faces," warned Mr John Crosbie, fisheries minister, last month. "Failure to reach a settlement this year could lead to a major breach in our relations with the European Community."

As Canada steps up its rhetoric, the EC in turn appears to be becoming more entrenched. "It is ludicrous to claim that the EC is responsible for the decline in fish stocks," an official said last week. "We cannot be the object of such slander any more."

Mr Crosbie said that the issue would be Canada's main concern at the Earth summit in Rio de Janeiro this June. "Rio really is our last shot to resolve this by the diplomatic route."

Since 1989, Canada has waged a campaign against the activities of EC vessels – particularly from Spain and Portugal – immediately outside its 200-mile territorial limit, accusing them of depleting stocks.

In February, Canada slashed its own total allowable catch (TAC) for northern cod, the most important stock of the Atlantic fishery, by 35 per cent to 120,000 tonnes. That compares with a 1986 TAC of 266,000 tonnes.

The decision followed warnings from Canadian scientists that the northern cod biomass, previously estimated at 1.1m tonnes, was only 780,000 tonnes. More worryingly, Canada says, the spawning biomass was reported to have declined by more than half.

The winter fishing of these stocks by offshore vessels inside Canada's waters was halted and the harvesting of capelin, on which cod feed, was banned. A scientific offensive was also launched to persuade EC member countries that without effective management ecological catastrophe loomed.

The Grand Banks fishing grounds, which have drawn European fishermen for 400 years, extend east and south of Newfoundland, breaching Canada's 200-mile limit at two points: the so-called nose and tail. A third rich fishing ground, the Flemish Cap, lies further east. Groundfish such as cod and flounder cross in and out of international waters in seasonal migrations. Canada claims this makes them highly vulnerable to foreign fleets active over a relatively small area of the continental shelf.

Between 90 and 140 foreign vessels, the majority from the EC, are active in the area at any one time.

At the Earth Summit, Canada will propose a resolution calling for changes in the United Nations Convention on the Law of the Sea to give coastal states increased rights over such "straddling" fish stocks. It hopes that the Rio meeting will rapidly be followed by an international diplomatic conference to work out the detail of a new high seas fisheries management order.

So far, 40 coastal states have backed the resolution, including New Zealand, Mexico, Chile and Peru. However, no other Group of Seven industrialised countries have done so, raising fears that the issue could prove divisive in Rio.

In theory, a management regime already exists for the waters off Canada: the Northwest Atlantic Fisheries Organisation, formed in 1979, of which both Canada and the EC are signatories.

However, Mr Vic Young, president of St John's based Fishery Products International, says: "Nafo is totally ineffective. Any country can say it disagrees with its Nafo quota under the organisation's objection procedure and set its own. Nafo has declared a moratorium on northern cod outside 200 miles, but last year EC vessels caught about 40,000 tonnes."

The EC response to its critics is scathing. Officials have denounced Canada for making a mere "paper" cut in its quotas, saying that Canada has simply cut this year's northern cod TAC to the level of last year's actual catch.

They charge further that the issue is being blown out of all proportion for domestic political reasons. Mr Manuel Marin, the EC fisheries commissioner, said last week that he had asked for an extraordinary meeting of the Nafo scientific council to verify the latest Canadian figures on stocks, *but that Canada had refused.* Ottawa, Brussels says, is avoiding a harsh political reality: it should restructure and cut its own fleet.

Amid the accusations and counter-accusations, many Canadians are ready to acknowledge that the decline in the fish stocks may have complex interlinked causes.

Mr Young of FPI is bitterly critical of the EC fishing effort for flatfish on the tail of the Grand Banks, accusing Spanish vessels of using ever-smaller gauge nets to harvest young fish.

However, he sees foreign overfishing as only one of the causes for the decline in northern cod stocks. Environmental factors such as changes in the cold water Labrador current around Newfoundland, possibly as a result of global warming, may partially account for the decline. The fall in capelin stocks and expansion of the seal herds are other possible factors. Seals eat cod in the absence of capelin, their preferred food.

Some inshore fishermen, who operate with small vessels mainly within 12 miles of the shore, lay the blame for falling stocks on high-technology offshore fishing in general, combined with government mismanagement.

"Canadian quotas were set too high for years," said Mr Tom Best, head of the fishing co-operative at Petty Harbour, a tiny fishing village south of St John's on the Avalon peninsula.

"As a result, Canadian offshore boats raped the resource from the early 1980s. We must take control of the nose and tail of the Grand Banks but we need to knock out the Canadian offshore effort as well and give the stocks a chance to recover."

Wherever responsibility lies, the human effects of the crisis in the industry are real enough. "Plant closures devastate *local communities,*" says Mr Randolph Gherson, Canada's Ambassador for fisheries conservation. "We've had 5,000 job losses and 38 plant closures in Newfoundland since 1989."

Some 40,000 people in the province are directly employed in the industry, and a further 70,000-80,000 indirectly, out of a total population of about 500,000. Unemployment is running at more than 20 per cent.

Against this grim economic background, and with its own offshore fleet tied up at the quays, it is little wonder that Canada should turn its fire on the EC.

If no agreement is reached in Rio, Mr Crosbie warns, Canada may have no option but to heed the siren voices calling for unilateral action, such as a *de facto* extension of its territorial waters.

Cominco quest for troubled lead smelter alternatives continues

By Bernard Simon in Toronto

COMINCO has taken another step towards abandoning the German QSL technology used for its troubled lead smelter at Trail, British Columbia.

The Vancouver-based company says in its latest annual report that it has retained Snamprogetti of Italy to prepare "preliminary engineering and cost estimates" for converting the facility to the Kivcet process used by smelters in Russia and Italy. Cominco sent a shipment to a Kivcet pilot plant in Russia last October as part of its evaluation of alternatives to the QSL process.

The C$135m Trail smelter, with a design capacity of 160,000 tonnes a year, has been idle since March 1990, when it was shut down three months after being commissioned. Cominco and Lurgi, the German engineering group which designed the QSL process, have spent the past two years working to improve the smelter's performance. Lurgi is hoping to use similar technology in lead smelters in several other countries. The main problem at Trail has been in the reduction chamber of the 40-metre long reactor, where natural gas has replaced pulverised coal as the reducing agent.

Lead operations have continued, using the old, high-cost smelter that the QSL facility was designed to replace. Production totalled about 87,000 tonnes last year.

Three sets of tests were conducted last year on a smaller QSL smelter at Stolberg, Germany. Cominco disclosed that while these tests showed that gas was as effective a reducing agent as coal, the smelter "was unable to achieve stable commercial operations at acceptable cost levels".

A Cominco representative said the tests at Stolberg were continuing. The company may delay a decision on the the Trail smelter, which was expected by the end of June 1992. Cominco said that Lurgi, which is a subsidiary of the German metals group Metallgesellschaft, is contractually required to make and pay for any modifications to the Trail facility required to meet performance guarantees. It added that, given the uncertainty on the smelter's future, it could not yet determine the size of the write-down, if any, which may be required.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+8,450	to 1,202,925
Copper	−4,675	to 291,725
Lead	+825	to 131,725
Nickel	−66	to 26,202
Zinc	−75	to 222,750
Tin	−130	to 11,780

CIS pays part of standing debt for New Zealand goods

By Terry Hall in Wellington

THE COMMONWEALTH of Independent States yesterday paid NZ$10m (£3.1m) of its outstanding debts from an estimated $NZ600m which it owes New Zealand for dairy, wool and related products that were sent to the then Soviet Union up to 15 months ago.

Currency difficulties, which made it impossible for the CIS to settle these debts, have led to commercial strains between the two countries, and a virtual cessation of trade.

The Soviet Union was formerly one of New Zealand's major customers for wool, sheepmeats and dairy products. Yesterday the retiring CIS ambassador to Wellington, Mr Yuri Sokolov, said that the payment was a breakthrough and a sign of good faith.

The money had been owed to the New Zealand Dairy Board, which 12 months ago arranged credit of NZ$200m for staggered shipments of 100,000 tonnes of butter and 8,000 tonnes of whole milk powder.

Mr Sokolov said the initial payment came one day after a group of leading industrial nations agreed to give the CIS a line of credit worth NZ$44bn.

The former Soviet Union also owes substantial sums for wool shipped between February and July last year. That was arranged under a credit facility arranged between the ANZ Bank and wool merchants. Sovenz, the trading arm of the New Zealand Dairy Board, is also owed money.

● Russia plans to import 4m tonnes of refined sugar in 1992, "to prevent a crisis" and maintain per capita consumption at 40 to 45 kg a year, according to a government document released at the Congress of Peoples' Deputies, reports Reuter from Moscow. The document said 1992 output of refined sugar from beet was expected to be 2.5m tonnes.

MEPs clear way for farm reform

THE EUROPEAN Parliament yesterday cleared the way for reform of the European Community's farm policy by approving a plan for the cereals sector, parliamentary officials said, Reuter reports from Strasbourg.

Members of Parliament asked the European Commission to tone down its proposal. Mr Ray MacSharry, the European Farm Commissioner, has proposed a 35 per cent cut in cereals prices during three years, with full compensation conditional on land being set aside. The parliament agreed by a large majority to ask the commission to cut prices by only 20 per cent in the first year of reforms and rejected further cuts.

It also asked for higher compensation than the commission has proposed, arguing that large-scale farmers would otherwise be disadvantaged. Mr MacSharry had proposed limits on the area of land eligible for set-aside compensation.

The vote on cereals completes the parliament's work on the farm reform package. It gave its opinion on all other aspects of it at last month's meeting.

The European Parliament is required to give an opinion on any planned legislation before the Council of Ministers can finally pass it. The commission has to consider parliament's amendments, but is not obliged to accept them.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,680-1,730 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.95-1.10 (0.90-1.10).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 27.00-27.50 (27.00-28.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-125 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.12-2.18 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.10-2.20 (2.10-2.25).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.00 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

LONDON Metal Exchange **ALUMINIUM** prices moved to the highest levels for nine months in after hours trading, although dealers could point to no clear fundamental influences. They attributed the rise, which took the three months position to $1,350.50 a tonne, up $27, at the end of the "kerb" session, chiefly to speculative and options-related activity. Early selling had been halted after news that LME warehouse stocks had risen less than expected. **COPPER** prices *surrendered* early gains, with the cash position ending the kerb at £1,309.25 a tonne, down £3.25. Traders noted, however, that it had held above support at $2,250 a tonne. At the London Futures and Options Exchange **COFFEE** market sentiment was improved by news that the International Coffee Organisation working group had reported a consensus in favour of a price stabilisation pact with universal quotas and that its report had been approved by the ICO council. In the absence of early news from the ICO's 5-day meeting in London the July futures price had slipped $13 to $870 a tonne. But it closed only $1 down on the day at $882.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.60-6.70	-0.50
Brent Blend (dated)	$18.90-9.00	-0.50
Brent Blend (May)	$18.86-8.90	-.075
W.T.I. (1 pm est)	$20.30-0.35z	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-214	+2
Gas Oil	$170-171	-1
Heavy Fuel Oil	$73-74	+0.5
Naphtha	$176-178	
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$338.50	-1.0
Silver (per troy oz)♣	409c	-4.0
Platinum (per troy oz)	$351.00	-3.0
Palladium (per troy oz)	$84.00	-0.5
Copper (US Producer)	106.43	-1.33
Lead (US Producer)	37.38c	+0.38
Tin (Kuala Lumpur market)	na	
Tin (New York)	267.50	+0.25
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.82p	+0.65*
Sheep (live weight)†♠	100.27p	+2.06*
Pigs (live weight)†	101.71p	+3.63*
London daily sugar (raw)	$225.5y	-3.4
London daily sugar (white)	$275.8y	-3.4
Tate and Lyle export price	£237.5	-2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£149.5w	
Wheat (US Dark Northern)	£120.0w	
Rubber (May)♥	55.50p	
Rubber (Jun)♥	55.75p	
Rubber (KL RSS No 1 May)	220.5	
Coconut oil (Philippines)§	665.0y	-5.0
Palm Oil (Malaysian)§	$400.0z	+2.5
Copra (Philippines)§	$422.5w	-2.5
Soyabeans (US)	£150.5w	+1.6
Cotton "A" index	59.40c	
Wooltops (64s Super)	446p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec y-Apr/May w-Apr z-May. †Meat Commission average fatstockprices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	218.20	201.00	220.20	200.00
Aug	212.00	199.40	212.20	197.20
Oct	205.00	195.60	203.00	194.20
May	195.00		193.00	193.00
White	**Close**	**Previous**	**High/Low**	
May	277.50	273.40	277.00	272.50
Aug	280.50	273.60	280.60	273.10
Oct	269.60	265.60	269.60	265.00
Mar	272.30		270.90	267.80

Turnover Raw 773 (402) lots of 50 tonnes. White 2024 (1765)
Paris- White (FFr per tonne): May 1555.58 Aug 1566.17

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
May	18.83	18.97	18.94	18.80
Jun	18.80	18.96	18.90	18.80
Jul	18.73	18.88	18.81	18.71
Aug	18.68	18.82	18.75	18.68
Sep	18.64	18.76	18.71	18.66
Oct	18.68	18.77	18.70	18.62
IPE Index	18.92	18.63	18.92	

Turnover 16134 (21246)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Apr	170.00	170.50	171.50	169.25
May	170.75	170.50	172.00	170.00
Jun	171.25	171.25	172.00	170.50
Jul	172.50	172.50	173.50	172.25
Aug	174.00	173.50	174.00	173.50
Sep	175.75	175.25	176.00	175.50
Oct	178.00	177.75	178.00	177.50
Nov	179.00	178.50	179.50	179.00
Dec	180.25		180.25	180.00

Turnover 11619 (16954) lots of 100 tonnes

JUTE
April/May: C and f Dundee: BTC $365, BWC n/o, BTD $360, BWD n/o and c and f Antwerp; BTC $370, BWC $370, BTD $350, BWD $350.

COTTON
Liverpool- Spot and shipment sales recorded for the week ending 3 April amounted to 186 tonnes against 455 tonnes in the previous week.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
May	613	615	614	608
Jul	640	642	642	637
Sep	665	667	667	663
Dec	699	701	700	697
Mar	731	734	734	730
May	751	754	756	751
Jul	772		774	771
Sep	792		797	791
Dec	822		824	822

Turnover: 3429 (2723) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 6 758.03 (766.10) 10 day average for Apr.7 790.39 (789.59)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
May	867	869	872	852
Jul	882	883	886	870
Sep	888	896	898	884
Nov	905	912	915	902
Mar	935		935	

Turnover:3027 (2133) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr.6: Comp. daily 57.35 (58.57) 15 day average 56.77 (56.74)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
May	122.0	119.0	122.0	119.0
Apr	123.2	124.0	123.5	123.0

Turnover 113 (139) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	130.00	129.00	130.00	
Aug	124.50		125.00	124.50

Turnover 60 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Apr	1147	1149	1149	1130
May	1121	1135	1125	1112
Jun	1031	1046	1035	1029
Jul	1033	1045	1035	1025
Oct	1168		1170	1168
Jan	1225		1225	1220
BFI	1154	1160		

Turnover 388 (166)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
May	123.20	123.70	123.50	123.15
Jun	124.85	125.25	125.20	124.80
Sep	112.65	112.60	112.75	112.65
Nov	115.80	115.70	115.90	115.80
Jan	119.65	119.50	119.65	119.60
Mar	122.65	122.50	122.65	122.60
Barley	**Close**	**Previous**	**High/Low**	
May	116.75	116.75	116.75	

Turnover: Wheat 371 (242), Barley 0(0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Apr	129.0	129.0	128.5	128.0
May	126.5	125.5	126.3	126.0
Jun	120.0	119.5	120.0	119.8
Jul	113.7	114.0	113.7	113.5

Turnover:80 (42) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,017 lots	
Cash	1311.5-2.5	1296-99		1305.5-6.5		
3 months	1337.5-8.0	1324-25	1350/1320	1331.5-2.0	1350-1	176,416 lots
Copper, Grade A (£ per tonne)					Total daily turnover 22,249 lots	
Cash	1282-3	1284.5-5.5	1287/1286.5	1286.5-7.0		
3 months	1310.5-1.0	1312-13	1317/1309	1315-5.5	1309-9.5	105,632 lots
Lead (£ per tonne)					Total daily turnover 2,891 lots	
Cash	308.5-7.5	309-10	308.5	308-8.5		
3 months	318-8.5	320-21	322/318	318.5-8.75	317-8	17,237 lots
Nickel ($ per tonne)					Total daily turnover 4,281 lots	
Cash	7420-30	7385-95		7425-30		
3 months	7610-5	7470-75	7535/7485	7525-35	7505-10	25,967 lots
Tin ($ per tonne)					Total daily turnover 1,294 lots	
Cash	5750-60	5725-35		5745-50		
3 months	5755-65	5735-40	5765/5750	5755-60	5755-60	6,523 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 6,304 lots	
Cash	1263-5	1267-69	1259	1259-60		
3 months	1259-60	1263-64	1261/1255	1255.5-6.5	1257-8	52,320 lots

LME Closing £/$ rate:
SPOT: 1.7491 3 months: 1.7216 6 months: 1.7278 9 months: 1.7004

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	338.30-338.70	
Opening	338.20-338.60	
Morning fix	338.50	193.794
Afternoon fix	338.75	193.871
Day's high	339.20-339.60	
Day's low	337.60-338.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.46	6 months	3.44
2 months	3.43	12 months	3.70
3 months	3.42		

Silver fix	p/fine oz	US cts equiv
Spot	234.70	409.50
3 months	240.90	413.60
6 months	247.35	418.00
12 months	260.35	428.40

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	338.75-339.75	194.00-194.50
Maple leaf	360.00-351.00	200.00-200.50
New Sovereign	83.00-84.00	47.50-48.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	136	145	3	3
1300	48	62	11	17
1400	6	16	68	70
Copper (Grade A)	**Calls**		**Puts**	
2150	102	107	3	3
2250	24	35	22	30
2350	3	5	99	99
Coffee	**May**	**Jul**	**May**	**Jul**
750	67	80		9
800	22	54	5	23
850	2	29	35	48
Cocoa	**May**	**Jul**	**May**	**Jul**
725		15	112	77
750		11	137	97
775		8	162	119
Brent Crude	**May**	**Jun**	**May**	**Jun**
1800	15	102	2	22
1850	40	68	5	31
1900	15	43	25	55

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	338.7	340.4	339.3	337.8
May	339.2	340.9	0	0
Jun	340.1	341.8	341.3	339.2
Aug	342.2	343.9	343.0	341.2
Oct	344.3	346.0	345.0	344.0
Dec	346.6	348.3	347.1	345.6
Feb	349.1	350.8	349.1	349.1
Apr	351.5	353.3	351.5	351.3
Jun	354.2	356.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	407.2	409.8	406.5	406.5
May	408.3	411.0	410.0	407.0
Jun	409.9	412.6	0	0
Jul	411.4	414.1	413.0	410.5
Sep	414.9	417.6	417.0	414.0
Dec	420.3	423.1	422.0	419.5
Jan	422.1	424.9	0	0
Mar	426.2	429.0	428.5	426.0
May	430.3	433.1	0	0
Jul	434.5	437.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	102.15	102.45	102.60	102.15
May	102.40	102.70	102.65	102.35
Jun	102.25	102.55	0	0
Jul	102.15	102.35	102.45	102.10
Aug	102.05	102.20	0	0
Sep	101.90	102.05	102.15	101.80
Oct	101.85	101.95	0	0
Nov	101.75	101.85	0	0
Dec	101.85	101.75	101.85	101.60
Jan	101.55	101.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
May	20.23	20.45	20.40	20.21
Jun	20.31	20.50	20.45	20.29
Jul	20.28	20.48	20.41	20.25
Aug	20.22	20.40	20.34	20.20
Sep	20.14	20.32	20.26	20.17
Oct	20.08	20.26	20.19	20.10
Nov	20.03	20.21	20.13	20.06
Dec	19.99	20.17	20.12	19.96
Jan	19.91	20.09	20.05	19.96
Feb	19.84	20.03	19.90	19.90

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	349.2	352.5	350.0	349.0
Jul	351.2	354.5	352.5	349.5
Oct	355.2	358.1	357.0	353.5
Jan	355.7	358.6	357.0	356.0
Apr	357.2	360.1	359.0	359.0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
May	5545	5596	5595	5535
Jun	5507	5561	5545	5505
Jul	5505	5547	5540	5505
Aug	5575	5610	5605	5575
Sep	5680	5715	5712	5695
Oct	5780	5815	5810	5800
Nov	5870	5900	5900	5895
Dec	5960	5985	5990	5975
Jan	5985	6010	6015	5960
Feb	5900	5925	5920	5920

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	950	960	959	947
Jul	993	1005	1004	992
Sep	1034	1044	1043	1033
Dec	1082	1096	1093	1082
Mar	1126	1141	1135	1126
May	1153	1168	1162	1153
Jul	1182	1196	1191	1180
Sep	1208	1222	1217	1209
Dec	1240	1257	1249	1245

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	69.80	71.80	72.45	69.10
Jul	72.60	74.40	75.00	72.00
Sep	74.85	76.85	77.30	74.50
Dec	78.70	80.65	80.80	78.00
Mar	82.00	83.95	84.50	82.00
May	85.90	87.15	0	0
Jul	87.55	89.40	0	0
Sep	90.05	91.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	9.80	9.00	9.83	9.04
Jul	9.59	8.82	9.63	9.00
Oct	9.16	8.79	9.22	8.81
Mar	9.01	8.78	9.06	8.81
May	8.96	8.78	8.98	8.98
Jul	8.88	8.80	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	59.44	60.33	60.50	59.20
Jul	61.25	61.98	62.20	61.05
Oct	62.40	62.65	62.95	62.35
Dec	62.98	63.00	63.20	62.80
Mar	64.23	64.25	64.25	63.85
May	64.73	64.75	64.25	64.25
Jul	65.03	64.95	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	132.55	136.10	135.40	132.25
Jul	129.65	133.95	133.25	129.50
Sep	124.10	128.00	127.50	124.10
Nov	119.00	122.25	122.05	119.00
Jan	119.05	122.00	121.50	120.00
Mar	119.05	122.05	121.10	120.00
May	118.50	121.55	121.50	120.50
Jul	118.50	121.55	0	0
Sep	118.50	121.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr.7	Apr.6	mnth ago	yr ago
1629.6	1630.1	1608.7	1739.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr.6	Apr.3	mnth ago	yr ago
Spot	117.58	116.99	118.45	125.81
Futures	122.04	121.84	122.72	129.49

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	570/4	578/0	579/0	570/0
Jul	577/2	585/4	587/0	576/4
Aug	582/2	589/2	590/4	582/0
Sep	585/4	593/0	594/4	585/0
Nov	590/2	599/6	601/0	589/4
Jan	600/0	609/4	610/0	599/0
Mar	610/0	618/4	618/0	610/0
May	619/0	626/0	619/0	619/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.48	19.61	19.71	19.45
Jul	19.75	19.89	19.99	19.73
Aug	19.89	20.03	20.13	19.88
Sep	20.06	20.18	20.29	20.05
Oct	20.21	20.31	20.25	20.21
Dec	20.50	20.65	20.75	20.48
Jan	20.61	20.75	0	0
Mar	20.85	21.00	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	173.7	174.3	174.9	173.6
Jul	176.2	177.0	177.5	176.1
Aug	177.2	178.1	178.4	177.1
Sep	178.0	179.1	179.5	178.0
Oct	182.0	183.5	183.7	182.0
Dec	193.4	194.7	195.0	193.2
Jan	193.5	195.0	195.0	193.5
Mar	195.5	197.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	257/2	262/0	262/6	256/2
Jul	262/2	267/2	268/2	261/2
Sep	257/0	263/2	264/0	256/4
Dec	255/0	261/2	262/0	254/2
Mar	262/0	269/0	269/6	262/0
May	266/0	272/0	272/4	266/0
Jul	269/0	275/0	275/0	269/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	364/4	369/6	372/4	364/0
Jul	353/4	357/6	361/0	352/2
Sep	359/2	363/0	367/4	357/2
Dec	365/6	371/2	375/0	365/4
Mar	367/4	373/0	375/4	367/4
May	356/4	362/0	0	0
Jul	338/4	341/4	345/0	338/0
Sep	343/4	346/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	79.200	79.875	79.800	79.150
Jun	73.675	74.800	74.750	73.600
Aug	69.200	70.100	70.150	69.150
Oct	69.750	69.775	69.800	68.700
Dec	69.150	70.100	70.100	69.100
Feb	68.500	69.450	68.450	68.500
Apr	70.050	70.550	70.500	70.050

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	42.275	42.525	42.460	42.000
Jun	47.425	47.600	47.700	47.175
Jul	45.800	46.025	46.150	45.600
Aug	44.000	44.000	44.300	43.825
Oct	40.950	41.100	41.250	40.800
Dec	42.950	43.425	43.300	42.950
Feb	43.950	44.225	44.100	43.850
Apr	42.200	42.460	42.200	42.200

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	34.900	35.725	35.400	34.850
Jul	35.350	36.050	35.800	35.300
Aug	33.875	34.425	34.250	33.850
Feb	43.900	44.700	44.600	43.800
Mar	42.900	43.800	43.500	42.900
May	44.900	45.500	44.900	44.700

LONDON STOCK EXCHANGE

Footsie battles to stay above 2,400

By Steve Thompson

London's equity market battled gamely to build on Monday's strong performance, fighting off bouts of profit-taking and bear selling to close above the crucial 2,400 level on the FT-SE 100-share index, although well below the session's best.

Behind yesterday's gritty performance was a brace of encouraging corporate results from two leading retailers, Next and Tesco, encouraging Press comment on the most recent UK economic data and a buoyant performance by sterling against the D-mark. It was also noted that three-month sterling interbank, a good guide to rate prospects, fell.

The most recent opinion polls, all of which confirmed a Labour lead of around two to three points over the Conservatives, appeared to do little damage to a market which dealers said had already discounted just about every conceivable permutation for the next Parliament.

"At the moment I feel more of a psephologist than a share trader," said one dealer perusing the poll result from Harris, confirming Labour's lead.

The equity market kicked off in fine form, with the leaders marked up sharply by market-makers keen to head off any sizeable European buying orders triggered by a strong performance from Wall Street overnight. The ploy worked efficiently, stifling any big trades early in the session and triggering a minor setback in the market.

Account Dealing Dates		
*First Dealings:		
Mar 23	Apr 6	Apr 27
Option Declarations:		
Apr 2	Apr 23	May 7
Last Dealings:		
Apr 3	Apr 24	May 8
Account Day:		
Apr 13	May 5	May 18

*New-time dealings may take place from 8.30 am two business days earlier.

A mid-morning programme trade, said to have been on the buy side, plus some genuine institutional demand, saw the market pick up strongly around midday. But a weak opening by Wall Street, which moved progressively lower as London closed, affected sentiment and London dipped to finish only moderately higher.

The FT-SE 100-share index ended the day a net 3.3 higher at 2,404.2, having touched extremes of 2,402.2 (within an hour of the start) and 2,417.7 (ahead of Wall Street).

Banks shares remained at the forefront of the market's attention with Midland Bank spurting ahead at the outset on stories, later denied, that Hongkong & Shanghai Banking Corporation (HSBC) was about to announce the terms of its merger with Midland; dealers remain convinced that HSBC will have to pay a minimum 400p a share.

Retailers Next and Tesco delighted followers with results at the very top end of expectations and leading to a series of profit revisions by retailing analysts.

Hopes of imminent good news on its Globex dealing system encouraged widespread demand for Reuters shares while institutions paid more heed to the positive stance adopted by ICI's broker, Hoare Govett, than to a profits downgrade undertaken by the broker.

Vague rumours around the market that a Labour victory on Thursday would see the introduction of a windfall profits tax on the highly profitable water and electricity companies hit share prices of all the utilities.

Waste Management International made a highly successful UK market debut, closing around the 610p mark compared with the 585p placing price, with US buyers easily outweighing UK sellers.

FINANCIAL TIMES STOCK INDICES

	Apr 7	Apr 6	Apr 3	Apr 2	Apr 1	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	85.37	85.18	85.18	85.14	85.11	85.43	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.85	98.41	98.23†	98.19	98.39	94.73	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1865.3	1859.2	1851.4	1866.6	1878.9	1998.0	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	116.2	117.4	118.1	119.6	121.6	140.2	222.8 (11/7/91)	116.0 (17/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2404.2	2400.9	2382.7	2405.4	2408.6	2527.2	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1154.11	1151.11	1141.32	1149.52	1145.11	1165.29	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.77	4.78	4.79	4.76	4.75	4.85				
●Earning Yld %(full)	6.96	6.97	6.97	6.93	6.91	8.84				
●P/E Ratio(Net)(☆)	18.03	17.99	18.03	18.14	18.16	13.92				
SEAQ Bargns 5.00pm	23,125	27,183	38,131	39,234	40,752	38,774				
Equity Turnover(£m)†	-	800.0	983.5	1,055.0	1,415.2	724.05				
Equity Bargains†	-	32,581	47,009	44,673	46,974	40,345				
Shares Traded (ml)†	-	393.6	496.4	551.4	619.7	431.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.89. † Corrected.

Ordinary Share Index, Hourly changes Day's High 1876.3 Day's Low 1851.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1867.0	1864.9	1862.6	1866.2	1870.1	1870.8	1874.2	1873.9	1867.2

FT-SE 100, Hourly changes Day's High 2417.7 Day's Low 2402.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2413.2	2407.7	2404.1	2408.1	2413.0	2413.3	2416.1	2412.9	2405.3

FT-SE Eurotrack 200, Hourly changes Day's High 1156.98 Day's Low 1153.56

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1153.99	1153.85	1155.18	1155.36	1154.75	1155.79	1154.61

GILT EDGED ACTIVITY

Indices*	Apr 6	Apr 3
Gilt Edged Bargains	75.4	85.2
5 – Day average	96.7	106.1

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Reuters rises on Globex

EXPECTATION of an announcement today by Reuters that its Globex dealing system will go "live" in Chicago lifted the shares 18 to 1141p. Globex, jointly developed by the Chicago Mercantile Exchange, the Chicago Board of Trade and Reuters, allows trading in listed futures and options when exchanges are closed.

Although Reuters refused to comment, analysts said the system had now been successfully tested and a date had been set for Globex to begin operations. An analyst predicted that heavy US buying in Reuters would be stimulated by the development.

Retailers please

There was some good news at last for the high streets, with Next beating profits forecasts and Tesco coming in with figures at the top end of expectations.

Next shares rose 5 to 71p, equalling its 1991-92 high, as the retail group turned a £40.7m loss into a profit of £12.3m for the year to January 31. Market turnover was heavy at 8.6m shares.

Analysts were looking for profits of around £7m to £10m, and were also impressed by the company's forecast that it will pay an interim and final divided in the current year. Next paid a final dividend of 0.75p in the last financial year, after passing the interim and failing to pay a final dividend in the previous year.

Tesco turned in a confidence-boosting profit of £545.5m, up 25 per cent. The shares climbed 4¼ to 255½p on turnover of 7.6m, about double the recent daily average. Supermarket rival J. Sainsbury rose in sympathy by 6 to 386p. Its results are due on May 12.

BET retreats

SHARES IN international business services group BET were burdened by a double dose of negative news, which resulted in a decline of 3 to 114p.

The first blow was delivered by Cazenove, the company's broker. It was reported to have reduced its dividend forecast for the current year to no more than 7p, down from last year's 13.25p.

As the market was digesting the downgrading from Cazenove, overnight reports from the US confirmed that Standard & Poor's, the international credit rating agency, had lowered its rating on BET's Auction Market Preferred (AMP) stock from A to A minus. One London analyst was moved to remark: "This is confirmation of trading difficulties if any were needed."

It was learnt after the market closed that BET is refinancing $140m of its $500m of AMPs through a private placement by National Westminister Bank.

Telecoms group Cable and Wireless, 5 down at 523p, was hurt by downgrades as analysts differed over the group's revamped strategy. After Monday's rise and some bullish press and market comments, County NatWest yesterday cut its forecasts, arguing that C and W was still too reliant on the Honk Kong telecoms market to see any additional long-term benefits, while restructuring costs wiped out any short-term relief. The broker is looking for £635m pre-tax in 1992, down £50m. James Capel was also reported to have downgraded its figures.

Vodafone Group rebounded, boosted by a buy recommendation by US house Kidder Peabody. The shares gained 6 to 309p.

Fuel retailer and lubricants group Burmah Castrol slipped 10 to 517p on losing a US court case against Quaker State Corp over claims involving the qualities of lubricating products.

BP fell 2½ to 252p on turnover of 14m shares, with an early bout of strength in the shares, prompted by heavy overnight buying in the US, running into what was described by oil sector specialists as "a wall of selling from the UK and Europe". Lasmo lost 3 to 195p.

Concern was expressed in some market quarters about the decline in the share price of holiday group Owners Abroad, which has tumbled from 121p on March 2 to close at 89¼p yesterday, a fall of 6¾ on the day.

The group's report and accounts reached analysts yesterday, giving details of the sale of 690,000 shares by the chairman to a trust group owned by Owners and used for an employee share ownership scheme. Mr Howard Klein sold the shares for 108p last week, the share price closing that day at 105p. There were hints that some leisure specialists had been surprised at the treatment of certain assets in the accounts.

Rank Organisation continued to attract buyers ahead of the election, its leisure activities seen as good hedges to a Labour victory. The shares rose 6 to 666p.

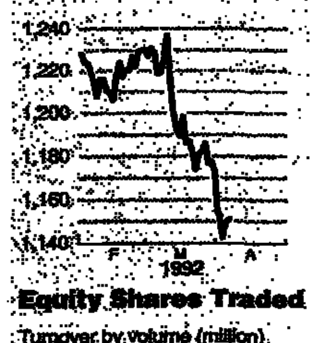
Tightly-held Boosey & Hawkes added 40 to 950p after revealing improved profits and dividend pay-out.

An early morning rumour that the takeover terms for Midland Bank had been announced lifted the shares 10 to 345p. Some talk had the offer price at 410p, although expectations continue to focus on the 380p to 400p range.

Profit-taking in TSB Group left the shares down 5 at 121p.

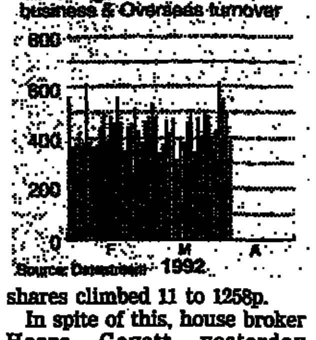
Chemicals giant ICI continued to attract buying interest on the back of its international portfolio as investors hedged against the possibility of a Labour UK government. The shares climbed 11 to 1258p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



Source: Datastream

In spite of this, house broker Hoare Govett yesterday became the latest to downgrade the group because of difficult first-quarter trading conditions. Hoare now expects £900m for 1992, down £140m, although it remains a long-term buyer of the stock.

Water issues had a weak tone ahead of tomorrow's UK general election. Wessex lost 4 to 378p, but traders pointed out that the stock outperformed the sector, supported by its joint venture in UK waste disposal with Waste Management International. Investors, however, are looking for yield protection at present, as the political situation outweighs possible future commercial considerations.

Waste Management International, part of a US-based group, successfully floated 75m shares in London, representing a 20 per cent stake in the company. The share price rose to around 610p, from an offered level of 585p. Turnover came to 3.9m shares, with dealers reporting good demand from New York.

RTZ put on 5 to 574p, boosted by a recommendation from Smith New Court. Analyst Mr Emil Morfett believes the shares to be a good buy because of the company's US dollar exposure and the stock's attraction as a hedge both "pre and post-election".

Vickers hardened a penny to 137p. Mr Sandy Morris at County NatWest now believes the company will go for an outright sale of its Rolls-Royce Motor Cars subsidiary instead of the partial sale originally intended. Such a sale could see Vickers rise to 170p, Mr Morris said.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Colin Millham.

■ Other market statistics, Page 23.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADING in the derivatives market continued to be dominated by hedging as traders tried to second guess the outcome of tomorrow's election, writes Joel Kibazo.

In stock index futures, the June contract on the FTSE was traded at a healthy premium of 25 at the beginning of the session. But an early rise was cut short by sellers, mostly independent traders as the large institutions once again remained on the sidelines and June soon fell back to 2,422.

A brief rally, as several US houses went bargain hunting, was cut short by a poor Wall Street opening.

Further falls were recorded towards the close as sizeable selling in the traded options was hedged in the futures market.

June closed at 2,428, down 14 on the previous session and around two points above its estimated fair value premium to cash of 22. Turnover reached 6,590 contracts.

In trade options, turnover returned to a more modest 24,466, down from 29,698 on Monday. Strong hedging business caused the FTSE option's daily total to rise to 12,028 contracts. Among the stock options, Midland Bank led the way with a day's total of 1,433 lots, followed by GEC at 1,135 lots.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday April 7 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Apr 6 Index No.	Fri Apr 3 Index No.	Thu Apr 2 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	773.81	+0.3	7.98	6.16	16.40	10.84	771.76	771.44	776.08	883.21
2 Building Materials (22)	924.19	-0.5	6.90	6.85	20.25	10.30	928.95	931.82	936.17	1138.54
3 Contracting, Construction (28)	840.37	-0.1	7.83	8.40	19.56	9.16	841.03	846.87	854.36	1393.03
4 Electricals (8)	2351.49	+0.8	7.94	6.27	16.38	20.97	2333.31	2315.69	2331.48	2433.16
5 Electronics (29)	1743.79	+0.4	10.32	4.87	12.28	3.46	1737.07	1736.26	1733.09	1883.36
6 Engineering-Aerospace (7)	337.04	+1.3	10.05	7.68	12.94	9.52	332.73	329.21	333.19	469.23
7 Engineering-General (44)	470.77	+0.3	9.03	5.01	13.71	6.61	469.50	472.72	478.70	466.13
8 Metals and Metal Forming (8)	311.04	+1.0	2.01	11.14	-	0.32	307.91	302.42	308.81	501.78
9 Motors (14)	303.97	+1.1	8.82	7.74	14.78	6.43	300.80	301.03	301.68	352.71
10 Other Industrial Materials (19)	1613.52	+0.2	7.37	5.14	16.61	32.10	1609.55	1606.13	1613.72	1575.01
21 CONSUMER GROUP (188)	1572.45	+0.3	7.70	3.61	15.90	11.64	1567.92	1567.02	1580.01	1467.56
22 Brewers and Distillers (24)	1944.65	-0.1	8.31	3.74	14.49	16.70	1946.16	1967.81	1977.85	1767.76
25 Food Manufacturing (17)	1217.48	......	9.00	4.31	13.85	17.10	1217.57	1220.87	1222.70	1206.23
26 Food Retailing (18)	2558.48	+1.3	9.01	3.41	14.36	6.04	2526.26	2474.50	2518.38	2824.42
27 Health and Household (24)	4120.80	+0.1	6.63	2.56	17.12	23.22	4116.20	4116.26	4167.52	3222.91
29 Hotels and Leisure (20)	1229.08	+0.3	7.38	5.54	17.23	15.37	1225.82	1234.48	1231.21	1370.69
30 Media (25)	1499.96	+0.7	6.46	3.66	19.33	13.93	1489.13	1473.27	1475.84	1509.60
31 Packaging, Paper & Printing (17)	719.19	-0.1	7.48	4.59	15.75	9.89	719.71	715.85	714.63	680.45
34 Stores (33)	948.74	+0.5	7.78	3.83	17.07	2.45	943.93	941.79	955.95	930.89
35 Textiles (10)	649.06	+0.4	8.05	4.80	15.33	2.94	646.18	644.39	648.00	549.26
40 OTHER GROUPS (116)	1145.17	-0.2	10.59	5.76	11.90	13.44	1147.99	1140.56	1150.08	1225.29
41 Business Services (17)	1248.20	+0.3	8.01	5.06	15.95	11.81	1245.08	1238.89	1254.79	1232.16
42 Chemicals (22)	1443.46	+0.4	7.17	5.04	17.09	23.59	1437.81	1423.88	1426.39	1271.66
43 Conglomerates (11)	1298.07	+0.9	10.97	7.75	11.15	9.10	1285.89	1270.14	1282.33	1564.96
44 Transport (14)	2286.57	+0.4	5.75	4.97	23.39	26.14	2277.91	2297.90	2309.28	2218.47
45 Electricity (16)	1044.63	-1.3	16.82	7.12	7.75	17.21	1058.39	1049.63	1054.68	1158.69
46 Telephone Networks(4)	1281.72	-0.2	12.23	4.89	10.68	16.02	1284.23	1274.20	1293.75	1466.02
47 Water(10)	2157.39	-1.3	19.77	7.37	5.57	0.00	2186.50	2175.40	2172.69	2498.09
48 Miscellaneous (22)	1821.97	-1.4	6.58	5.41	20.06	20.93	1848.09	1836.69	1855.12	1919.30
49 INDUSTRIAL GROUP (483)	1236.16	+0.1	8.63	4.74	14.49	12.27	1234.67	1231.76	1241.48	1251.83
51 Oil & Gas (17)	1993.82	-0.2	9.33	7.13	14.15	41.53	1998.65	1937.42	1952.61	2384.45
59 500 SHARE INDEX (500)	1306.09	+0.1	8.71	4.99	14.45	14.49	1305.02	1298.02	1308.25	1348.57
61 FINANCIAL GROUP (87)	643.53	+0.2	-	7.04	-	15.02	642.18	637.33	647.88	841.37
62 Banks (9)	815.19	+0.6	5.29	6.70	37.61	22.89	810.14	790.95	807.07	940.61
65 Insurance (Life) (6)	1243.71	......	-	7.16	-	43.02	1243.61	1265.93	1289.36	1551.77
66 Insurance (Composite) (7)	429.57	+0.1	-	8.10	-	9.16	428.98	429.10	438.42	705.33
67 Insurance (Brokers) (10)	909.66	......	8.47	7.37	15.59	20.48	909.74	919.87	925.86	1175.63
68 Merchant Banks (7)	405.18	-0.7	-	5.12	-	4.25	408.01	408.73	412.40	427.91
69 Property (33)	618.47	-0.4	9.30	7.34	14.73	3.43	620.84	621.72	627.08	1025.29
70 Other Financial (15)	221.16	-0.4	9.07	7.82	14.49	3.12	222.10	224.01	223.71	293.13
71 Investment Trusts (70)	1126.36	+0.2	-	3.95	-	10.96	1124.38	1116.15	1125.95	1211.98
99 ALL-SHARE INDEX (657)	1150.09	+0.1	-	5.19	-	14.27	1148.96	1142.45	1152.58	1224.17

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 6	Apr 3	Apr 2	Apr 1	Mar 31	Year ago
FT-SE 100 SHARE INDEX‡	2404.2	+3.3	2417.7	2402.2	2400.9	2382.7	2405.4	2408.6	2440.1	2527.2

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (13). AMERICANS (1) Utilitech Inc., CHEMICALS (2) BOC, Wardle Storeys, ELECTRONICS (1) Hoskyns, HOTELS & LEISURE (1) Boosey & Hawkes, INVESTMENT TRUSTS (3) China & Eastern, Fidelity Euro. Values Wrrnts., Mezzanine Cap., MEDIA (1) News Intl., MISCELLANEOUS (1) Frost, OTHER INDUSTRIAL MATERIALS (1) Harris (Ph), STORES (1) Next, TEXTILES (1) Sherwood.
NEW LOWS (55). BRITISH FUNDS (1) Tr. 2½pc IL 2020, AMERICANS (1) Bell Atlantic, BREWERS & DISTILLERS (1) Whitbread A, BUILDING MATERIALS (1) Meyer Intl., BUSINESS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡		97¾	+⅞	101⅝	92¾	9.73	9.96
Exch 12¼pc 1999		109⅞	+⅞	114⅞	105⅞	11.15	10.21
Treas 10½pc 1999		101⅞	+⅞	105⅞	97⅞	10.31	10.12
Conversion 10¼pc 1999		100¾	+⅞	104⅞	95⅞	10.17	10.09
9pc 2000‡‡		95⅛	+⅞	99⅛	89⅞	9.47	9.89
Treas 13pc 2000		114⅞	+⅞	119⅞	110½	11.31	10.25
10pc 2001		100⅞	+⅞	104⅞	94⅞	9.99	9.96
14pc '98–01		115⅝	+⅞	120⅞	113⅞	12.11	10.45
9¾pc 2002		98⅞	+⅞	100⅞	92⅞	9.86	9.91
9¾p 2002 C		99⅞	+⅞	100⅞	98⅞	9.77	10.00
10pc 2003		100⅞	+⅞	105⅞	94⅞	9.92	9.87
Treas 11½pc 2001–04		107½	+⅜	112⅞	102	10.70	10.18
Funding 3½pc '99–04		60⅞	+⅞	63⅞	53⅞	5.82	8.89
Conversion 9½pc 2004		97⅞xd	+⅞	102⅛	90⅞	9.73	9.83
9½pc 2005		97⅞xd	+⅞	102¼	90⅞	9.72	9.80
Treas 12½pc 2003–05		118⅞	+⅞	122⅞	111	10.59	9.99
8pc 2002–06‡‡		88⅞	+⅜	90⅞	79⅞	9.27	9.78
Over Fifteen Years							
Treas 11¾pc 2003–07		111½	+⅞	116⅞	105⅞	10.54	9.97
8½pc 2007 ‡‡		90½	+⅜	95	84⅞	9.39	9.70
8½pc 2007 A		90⅞	+⅜	94⅞	89⅞	9.40	9.70
13½pc '04–08		124¼	+⅞	130⅞	118⅞	10.87	9.97
9pc 2008 ‡‡		94⅞xd	+⅜	99⅜	88⅞	9.52	9.65
8pc 2009		86⅛	+⅞	90⅞	80	9.29	9.65
Conv 9pc Ln 2011 ‡‡		94⅞	+⅜	98⅞	88⅞	9.54	9.64
9pc 2011 B		94⅞	+⅞	98⅞	93⅞	9.54	9.64
Treas. 9pc 2012		45⅛	+⅞	50⅛	44⅞	9.54	9.82
Treas 5½pc 2008–12‡‡		63⅞	+⅞	67¼	58⅞	8.67	9.60
7¾pc 2012–15‡‡		82⅝	+⅛	87¼	78⅞	9.41	9.67

BRITISH FUNDS - Cont.

Index – Linked	Notes (b)	Price £	+ or -	1991/92 high	1991/92 low	Yield Int. (1)	Yield Red. (2)
Treas. 2pc '94	(102.9)	124¼	——	124⅞	115⅞	2.78	3.89
2pc '96	(67.9)	160½	——	161⅞	156⅞	3.32	3.90
2½pc '01	(78.3)	144⅛	——	147⅜	137⅞	4.14	4.45
2½pc '03	(78.8)	138⅞	+⅛	142⅞	133	4.26	4.53
2pc '06	(69.5)	139¼	+⅛	144	135	4.40	4.61
2½pc '09	(78.8)	128¼	+⅛	131½	124⅞	4.45	4.64
2½pc '11	(74.6)	129⅞	+⅛	135⅞	128⅞	4.45	4.62
2½pc '13	(89.2)	108⅜	+⅛	111⅞	105⅞	4.45	4.61
2½pc '16	(81.6)	112⅞	+⅛	118⅞	112⅞	4.44	4.59
2½pc '20	(83.0)	107⅞xd	+⅛	113⅞	107⅞	4.44	4.57
2½pc '24‡‡	(97.7)	88⅞	+⅛	95¼	88⅞	4.43	4.55

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1991: 133.8 and for February 1992: 136.3.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		109⅞	+¼	111½	95⅞	10.79	10.32
Asian Dev 10¼pc 2009		100⅞	+¼	105⅞	91⅞	10.33	10.16
B'ham 11½pc 2012		103¼	——	106½	100½	11.33	11.10
Ireland Cap 8½pc '10		91¼	+¼	93¼	88½	8.98	-
9pc Cap 1998		92½	+⅛	93¼	92	9.17	-
13pc '97–02		108⅜	+⅛	115½	105⅝	11.35	-
Hydro Quebec 15pc 2011		131⅞	+⅞	137½	120⅞	15.6	10.89
Int-Am Dev 12½pc 2003		113⅞	+⅞	118⅞	105⅞	11.09	10.38

CONTRACTS & TENDERS

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	34¾xd	—	36	20⅞	14,778	2.0
♥Allegheny & W	295p	—	385p	218p	153.3	6.7
Amdahl	899p	-19	1159p	667p	997.9	0.6
Amer Cyanamid	35½	+¼	42⅛	25⅜	3,310	2.4
Amer Express	13xd	[illegible]	17⅞	9	6,228	4.3
Amer T & T	23xd	[illegible]	24½	15¼	31,838	3.1
Ameritech	33	—	38⅞	32½	14,448	6.0
BankAmerica	23xd	+¼	28⅝	12	5,175	3.1
Bankers NY	38xd	[illegible]	38	20	2,549	8.9
Bell Atlantic	23¼	-½	30½	23¼	9,143	6.3
BellSouth	26	-½	31¼	25	12,167	6.2
♥Bethlehem Steel	7¾xd	-¼	11	6	591.9	—
Bowater	1392pxd	+8	1839p	1042p	500.0	4.8
CPC	49xd	[illegible]	64	37	3,732	2.7
California Engy	708p	—	930p	420p	128.9	—
Campbell Soup	20	-⅛	25	14⅛	9,074	2.2
Chase Manhattan	13xd	+⅛	14	5	1,854	5.1
Chrysler	10⅛xd	+¼	10⅝	5⅜	2,959	3.3
Citicorp	9xd	+¼	10	4⅝	3,181	—
Colgate–Palm	27xd	-¼	28	21	4,298	2.2
Cont'l Bank	957p	+11	997p	438p	967.1	3.5
Dana	22⅛xd	+¼	23⅛	13⅝	909.6	4.1
Data General	557p	+48	1262p	203p	153.7	—
Dial	21xd	+¼	24⅛	7⅞	805.5	2.9
Dun & Brad	31⅞	+¼	33½	20¼	5,588	3.8
Eaton	41⅞	+1⅛	45½	24¼	1,428	3.0
Echlin	10xd	+¼	11	5½	568.5	3.9
FPL	19xd	[illegible]	20⅛	14	3,252	7.0
Fluor	22⅞xd	+1⅛	30	17	1,814	1.0
Ford Motor	22xd	[illegible]	23	13	10,858	2.5
Gen Elect	43⅝xd	+½	46	28	37,481	2.7
♥General Host	497p	—	566p	270p	—	4.1
Gillette	27xd	[illegible]	45⅞	20⅞	6,640	1.3
Hasbro h	13⅛	—	16	5⅛	1,182	0.5
Honeywell	41xd	[illegible]	43	21¾	2,902	2.2
Houston Inds	24½	—	24¼	17⅞	3,158	6.8
IBM	47⅝xd	[illegible]	72	46	27,248	5.7
Ingersoll–Rand	33½xd	+¼	38	18	1,737	2.2
Lockheed	25	—	28⅛	16⅞	1,624	4.4
Lowe's	2129p	—	2478p	1245p	775.2	1.5
Merrill Lynch	30xd	[illegible]	39	10	3,139	1.8
Morgan (JP)	32¼xd	+½	38¼	21	6,891	3.8
Morris (Philip)	44xd	[illegible]	45	25	41,258	2.7
NYNEX	40½	—	46⅞	39	8,164	6.5
♥Pac Agric	52p	+10	89p	15p	—	—
Pall	14⅞	+⅛	17	10	1,294	1.4
Pennzoil	26xd	+¾	46⅛	25⅞	1,085	6.2
Quaker Oats	30xd	[illegible]	40	24⅞	2,289	3.2
Rockwell	13xd	+¼	17⅛	12⅛	3,101	3.8
Rep NY	23⅛	-⅛	27	16⅞	1,208	2.4
Sears, Roebuck	25xd	—	28	12	8,903	4.4
Sthwestern Bell	33⅞	+¼	35⅞	25⅝	18,087	4.9
Sun Co	15xd	[illegible]	20¼	14⅛	1,679	6.5
Tenneco	21½xd	-⅛	27⅛	14⅞	2,632	4.2
Texaco	35xd	+1½	40½	29	9,048	5.1
Time Warner	58⅞xd	[illegible]	84½	37⅞	5,436	1.0
♥Unitab	459p	-1	587p	250p	421.4	—
Utd Tech	29⅞xd	—	31½	22⅞	3,633	3.4
♥Unitech	122p	+2	122p	42p	—	—
✧URS Intl. 1c	0¾p	—	1¼p	0¼p	2.38	—
US West	19½	—	23	18¼	7,993	6.1
Varity	771p	+11	1418p	578p	192.4	—
Waste Manage	21¼xd	-⅛	26	16⅝	10,282	1.1
Whirlpool	2582pxd	—	2701p	1053p	1,739	2.5
♥Woolworth	16⅝	[illegible]	29	12⅞	2,168	0.7

CANADIANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
♥Abbot Energy	2p	—	11p	1¾p	—	—
Amer Barrick	1455p	—	1642p	953p	1,987	0.3
Bk Montreal	20⅞	—	23¼	13	2,506	5.5
Bk Nova Scot	968p	-21	1176p	536p	1,958	4.8
♥BC Gas	689p	—	870p	639p	—	3.9
BCE	21¼	-⅛	24½	17¼	6,732	7.1
♥Brascan	794p	+4	1050p	647p	654.8	7.1

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

STORES

MINES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

MINES - Cont.

	Price	+or-	High	Low	Mkt Cap£m	Yld Gr's
‡Navan Res I£	25	—	28	15	3.35	–
Northgate Expl C$	39	—	99	37	4.92	–
North West Expl A$	3	—	16	2	1.01	–
Oryx Gold $	61	—	188	51	–	–
■‡Ovoca Res I£	6	—	23	5½	0.42	–
Plateau	8½	—	44	8½	3.87	–
■RTZ q	574	+4	685	404	5,745	4.5
■‡Vizcaya	1	—	10	1	0.53	–
ψWestern & Pac C$	34	—	182	7	18.7	–
‡Young Grp	13	+7	138	4	1.86	26.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to *yields and P/E ratios. Dividends and Dividend covers are published on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● *"Tap Stock"*
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† *Not officially UK listed; dealings permitted under Rule 535(2)*
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend *yield, p/e based on previous year's earnings.*
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other offical estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1991
K Yield based on prospectus or other offical estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; *xr ex rights; xa ex all;* xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	119.5	119.7	126.0	+1.20	0.00
AIB Grofund Equity	5	162.3	165.5	175.1	+1.00	1.64
AIB Grofund Euro	5	136.4	138.2	145.5	+0.40	0.71
AIB Grofund Gilt	3	68.54	68.58	70.70	+0.13	6.65
AIB Grofund Japan	5	102.9	104.1	109.6	-3.90	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	115.6	115.6	122.6	+0.2	8.44
High Inc Equity	6	114.5	117.5	124.9	+0.3	6.81
Worldwide Bond	6	220.1	220.1	233.3	-0.3	6.10
Capital Growth						
American Growth	6	206.7	206.7	221.0	+1.6	1.01
Asian Pacific	6	139.2	141.1	150.1	+0.6	1.43
Assets & Earnings	6	171.4	171.4	183.3	+0.9	3.33
Capital Reserve Acc	0	113.5	113.5	113.5	+0.1	7.91
Capital Reserve Inc	0	83.93	83.93	83.95	+0.06	7.91
Commodity & Energy	6	67.31	67.31	71.95	+0.08	1.47
1992 Enterprise	6	65.66	65.66	70.22	+0.29	3.10
Euro Capital Acc	6	92.34	92.34	98.75	+0.24	1.05
Euro Capital Inc	6	87.45	87.45	93.52	+0.22	1.07
General	6	157.0	157.0	167.9	+1.0	3.45
Japan	6	72.29	72.29	77.31	-1.90	—
Mastertrust	6	84.77	84.77	90.66	+0.02	2.59
UK Growth Acc	6	154.9	162.7	173.0	-0.1	2.65
UK Growth Dist	6	97.78	102.7	109.2	-0.1	2.72
US Emerging Cos	6	78.44	78.44	83.89	+0.39	—
Income & Growth	6	276.5	276.5	295.7	+2.1	4.73
Ethical	6	53.81	53.13	56.45	+0.17	3.28
International	6	59.64	60.48	64.34	-0.12	1.65
Dividend & Growth	6	43.34	44.41	47.24	+0.04	6.35
Global Gwth & Sec	6	52.36	53.62	57.04	+0.06	2.70

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sit	5½	111.5	111.5	119.2	-0.4	3.72
Dolphin Dividend	5½	54.09	54.09	57.85	+0.75	6.46
Dolphin Inc Gth & Inc	5½	151.6	151.6	162.1	+0.7	4.54
Dolphin UK & Gen	5½	34.46	34.61	37.01	+0.27	2.28
Dolphin Fund of Funds	5½	45.67	45.67	48.84	-1.52	1.94

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	73.01	74.34	79.51	+0.64	2.87
Do (Accum)	6	78.79	80.23	85.80	+0.69	2.87
Smaller Cos	6	60.72	60.72	64.95	-0.16	1.87
Do (Accum)	6	64.49	64.49	68.97	-0.17	1.87
Higher Yield	6	29.35	29.35	31.39	+0.13	5.25
Do (Accum)	6	38.64	38.64	41.33	+0.17	5.25
American Gth Inc	6	40.29	40.29	43.09	-0.01	0.00
Do (Accum)	6	41.05	41.05	43.91	-0.01	0.00
European Growth	6	86.60	86.60	92.62	-0.19	2.15
Do (Accum)	6	86.60	86.60	92.62	-0.19	2.15
Global Bond Inc	6	23.04	23.09	24.69	+0.01	5.16
Do (Accum)	6	27.61	27.66	29.59	+0.02	5.16
Managed P'folio Inc	6	25.81	25.90	27.70		0.00
(Do Accum)	6	25.81	25.90	27.70	...	0.00
Pacific Growth Accum	5	64.94	64.94	69.45	-0.42	1.12
Fnl Sec Opps Accum	5½	61.73	61.73	66.01	(z)	0.85

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd, Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	73.94	73.94	78.75	-0.06	2.64
Mngd P'folio Acc	6	137.3	137.3	146.2	-0.10	—
UK General	6	111.2	111.2	118.4	(z)	4.28
Conv & General	6	15.94	15.94	16.98	-0.02	9.09
European Inc	6	21.07	21.07	22.69	-0.03	0.50
European Acc	6	21.64	21.64	23.30	+0.03	—
Financial	6	83.06	83.06	88.46	-0.14	2.17
Foundation	6	57.34	58.78	62.60	-0.11	4.48
German	6	36.99	36.99	39.63	+0.15	0.10
Growth Inc (5-1)	5	22.89	22.91	24.40	+0.13	3.79
Growth Acc (5-1)	5	26.05	26.08	27.76	+0.14	—
High Income	6	52.49	52.49	56.16	+0.01	7.09
Income	6	88.06	88.06	94.05	+0.30	5.76
Intl Income	6	73.07	73.07	77.82	+2.40	6.20
Intl Growth	6	28.10	28.10	29.93	+0.11	0.26
Monthly Income	6	51.06	53.10	56.55	-0.09	5.96
North American	6	84.68	84.68	90.61	+0.53	0.24
Orient	6	75.43	75.43	81.14	-1.13	—

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	210.8	213.3	226.9	+1.1	6.88
(Accum Units)	5	349.7	354.1	376.6	+1.8	6.88
UK Growth	5	262.2	265.3	282.2	+1.6	4.62
(Accum Units)	5	321.1	325.0	345.7	+2.0	4.62
Int Equity Gth	5	46.22	46.39	49.35	-0.09	1.06
Intl Bond	5	54.54	54.54	57.28	-0.07	7.97
Special Sits Gwth	5	13.77	14.27	15.18	-0.07	4.22
North American Gwth	5	70.27	70.58	75.08	+1.29	0.80
European Growth	6	52.21	52.48	55.82	+0.07	1.17

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1075.1	1075.1	1100.2	.....	4.39

Maiden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maiden General	0	100.5	100.5	103.8	.....	5.61

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings: 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	126.0	126.9	135.8	+0.8	3.91
Gilt & Fxd Int	5	148.3	148.3	157.3	+0.4	8.26
Intl Growth	5¼	137.9	137.9	147.8	-0.3	0.62
North American	5¼	107.4	107.4	115.4	+1.3	0.76
Far East	5¼	128.9	128.9	138.1	+0.1	2.08
UK Smaller Cos	5¼	99.02	99.02	105.9	-0.2	2.59
European	5¼	54.50	54.50	58.16	+0.07	0.91
Japanese Growth	5¼	26.32	26.32	28.12	-0.76	0.00
Managed P'folio	5¼	47.05	47.05	50.37	+0.15	1.75
High Income	5¼	127.0	128.3	137.2	+0.5	6.58

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9QC 0244 680066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	107.3	107.7	115.1	+0.4	3.16
Do Accum	5½	116.5	116.8	124.9	+0.4	3.16
UK Sel P'folio	5½	88.80	89.58	95.80	+0.5	4.50
Do Accum	5½	96.13	96.96	103.7	+0.6	4.50

N&P Unit Trust Management Ltd (1200)F
35 Fountain St, Manchester M2 2AF 061 237 5322

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
N&P UK Growth	5	55.37	55.68	59.24	+0.53	3.90
N&P UK Income	5	77.30	78.25	83.70	+0.36	5.86
N&P Gilt & Fixed Int	5	63.97	63.97	67.70	+0.21	8.59
N&P Higher Income	5	134.70	140.60	149.20	+0.60	6.73
N&P Smaller Co's	5	52.89	54.53	58.33	-0.25	2.97
N&P International	5	71.51	71.51	76.47	+0.20	2.78

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc	5	80.55	80.90	86.06	+1.02	0.49
NPI American Dist	5	74.66	74.98	79.77	+0.95	0.49
NPI European Acc	5	73.40	74.04	78.77	-0.06	0.24
NPI European Dist	5	71.22	71.85	76.44	-0.05	0.24
NPI Far East Acc	5	98.1	98.7	105.0	-1.38	0.64
NPI Far East Dist	5	96.7	97.3	103.5	-1.31	0.64
NPI Global Dist	5½	51.09	51.27	54.63	+0.38	2.64
NPI O'seas Acc	5	891.4	896.5	953.8	+1.40	0.95
NPI O'seas Dist	5	690.0	693.9	738.3	+1.39	0.95
NPI UK Acc	5	467.4	470.9	501.0	+2.60	3.67
NPI UK Dist	5	253.5	255.5	271.8	+1.50	3.67

National Provident Inv Mgrs Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI Extra Inc Dist	5½	50.33	50.77	54.30	+0.14	6.12
NPI UK Spec Opp Acc	5½	51.79	52.47	56.12	+0.15	3.43
NPI W'wide Acc	5	81.56	84.09	89.46	+0.91	0.03
NPI W'wide Dist	5	78.14	80.57	85.71	...	0.03
NPI W'wide Inc Dist	5½	49.84	51.34	54.91	+0.17	4.89

For National & Provincial UT Mngrs see N&P UT Mngmt

Newton Fund Mngrs Ltd (1200)F
2, London Bridge, SE1 071-407 4404

Save & Prosper Group (0900)H
16-22 Western Rd, Romford RM1 3LB

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Norwich Union Life Insurance Soc.—Contd.				
Pensionvestor* & Unit-Linked Plan*				
Mixed Fund	433.2	456.0	−2.2	–
Ordinary Share Fund	646.6	680.6	−2.0	–
International Fund	170.0	179.9	−1.2	–
Property Fund	258.3	271.9	−1.4	–
Fixed Interest Fund	388.8	409.3	−1.4	–
Index-Linked Sec Fund	187.6	197.5	−0.7	–
Deposit Fund	278.9	293.6	+0.4	–
Norwich Units Mar 14	1048.63			
*Prices as at April 3				
Jersey Investment Plan				
With Profits Fund	123.31	129.80	+0.04	–
Intl Equity Fund	90.99	95.77	−0.12	–
Intl Bond Fund	120.60	126.95	−0.22	–
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich, NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd	306.38	311.76	+2.02	–
Growth Managed Fd	101.27	103.16	+0.83	–
Sentinel Managed Fd	101.30	102.62	+0.33	–
Prices as at April 6				
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop Dist. (Gross)	134.0	141.1		–
Prop Acc. (Gross)	255.5	268.9		–
Equity (Gross)	824.7	868.1	+4.0	–
Managed (Gross)	580.0	610.5	+2.1	–
Prop. Acc. (Net)	122.0	128.4		–
Equity (Net)	192.2	202.3	+0.9	–
Managed (Net)	179.4	188.9	+0.6	–
International (net)	163.4	172.0	−0.2	–
Gilt & Fxd Interest	131.0	137.9	+0.2	–
Money Fund	137.7	145.0	+0.1	–
Mixed Fund (Cap)	112.5	118.5	..	–
Mixed Fund (Acc)	115.9	122.0		–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	633.0	666.4	+2.0	–
Ret Man (Series 2)	214.7	226.0	+0.7	–
Ret Cash	192.9	203.0	..	–
Pens Mixed Fd (Cap)	124.7	131.3		–
Pens Mixed Fd (Acc)	128.6	135.4		–
Pens Stg Fd (Cap)	102.1	107.5		–
Pens Stg Fd (Acc)	105.2	110.8		–

	Bid Price	Offer Price	+ or −	Yield Gross
Provident Mutual Life Assc. Assn.—Contd.				
Fixed Interest Ord	215.7	227.1	+0.6	–
Fixed Interest Init	158.6	166.9	+0.4	–
Deposit Ord	184.1	193.8		–
Deposit Init	135.3	142.4		–
Pension Funds				
Managed Ord	442.2	465.5	+1.2	–
Managed Init	325.0	342.1	+0.7	–
Equity Ord	659.9	694.6	+4	–
Equity Init	485.1	510.6	+2.9	–
Pen Ind Lkd Gilt Ord	177.6	186.9		–
Pen Ind Lkd Gilt Init	136.3	143.5	−0.1	–
Overseas Equity Ord	308.7	324.9	−1	–
Overseas Equity Init	226.9	238.8	−0.8	–
Property Ord	278.8	293.5	+0.1	–
Property Init	204.9	215.7		–
Fixed Interest Ord	273.2	287.6	−0.7	–
Fixed Interest Init	200.8	211.4	+0.5	–
Deposit Ord	262.8	276.6	+0.1	–
Deposit Init	193.2	203.4	–	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prubond				
Managed Mar 11	1251.6	262.1	1	–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Mar 02	£178.65	184.17		–
Equity Mar 02	£200.63	207.52		–
International Mar 02	£27.71	28.29		–
Intl Bond Mar 02	£14.70	14.89		–
Fixed Int Mar 02	£98.56	99.68		–
Index Linked Mar 02	£70.74	71.63		–
Property Mar 02	£107.99	114.02		–
Cash Mar 02	£30.0931	30.0931		–
Pru-Linked Retirement Plan				
Managed Apr 01	433.4	451.5		–
Cash Apr 01	276.6	288.2		–
Prudential Pensions Investment Account				
Pens Mngd Apr 07	170.9	183.9	+0.1	–
Pens UK EQ Apr 07	296.0	319.3	+0.4	–
Pens Intl Apr 07	197.3	212.0	−0.1	–
Pens Global Eqty Apr 07	95.8	100.9	+0.1	–
Pens Fixed Apr 07	223.4	235.9	−0.3	–
Pens Index Lk Apr 07	183.3	193.5	+0.1	–

	Bid Price	Offer Price	+ or −	Yield Gross
Providence Capital International Ltd — Contd.				
Swiss Franc Mngd	SFr5.381	5.787		–
Swiss Franc Money Mkt	SFr1.175	1.264		–
DM Deutschmark Manage	DM1.814	1.951		–
£ OFS Global Port	£0.834	0.897		–
£ YRA Worldwide	£0.976	1.050		–
$ YRA Dllr W'wide	$1.025	1.103		–
Tung & Co Bnzo P'folio	$0.985	1.060		–
Royal Life Intl. Ltd				
Royal Court, Arbory Rd, Castletown IoM 0624 821212				
Pension Growth A	£0.903	0.972		–

	Bid Price	Offer Price	+ or −	Yield Gross
J. D. Ward Financial Services Ltd				
9 Kingsway, London, WC2B 6XF 071-836 4321				
J.D. Ward Mngd Bond	190.5	206.9	−1.3	–
J.D. Ward Mngd Pens	120.9	130.6	−0.7	–
Albany Life Acc	186.5	196.3	−1.1	–
Albany Pens Acc	237.3	249.8	−1.5	–
M&G Tripod Pen Acc	176.4	185.4	+0.1	–
PEPC WW Growth (Pen Acc)	182.4	191.9		–

OFFSHORE AND OVERSEAS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Rothschild Asset Management—Contd.						
OCCFL SKr			104.94			18.15
OCCFL SwFr			50.884			7.71
OCCFL U.S.$			15.223			2.96
OCCFL Yen			3,572.36			3.75
OCCFL Man £	3		10.539	10.849		7.61
Daily Dealings *Weekly dealing						
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd						
PO Box 246, St Peter Port, Guernsey 0481 723021						

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625999				
High Income ... 5	[illegible]	0.4767	[illegible]	10.36
CMI Core Portfolio Fund				
UK ... 5	£- 0.9680	1.0376	[illegible]	-
USA ... 5	$- 1.0639	1.1282	[illegible]	-
Japan ... 5	£- 0.4688	0.4948	[illegible]	-
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd ... 5	95.63	100.65	-0.17	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth ... 5¼	483.4	518.0	[illegible]	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
LJ International ... 5¼	89.12	95.91	[illegible]	-
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund ... 5	96.75	103.2	+0.40	7.5
Merc Intl Bond ... 5	50.43	52.99	-0.01	8.4
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income ... 5	1.0064	1.0788	[illegible]	8.34
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd ... 5	141.26	150.61	...	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International ...	$10.70		...	-
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H* ...	$17.30	18.70	...	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Option & Warrant ...	68.0	81.0	+0.07	0.00
Beckman Option & Warrant $ ...	$1.17	1.40	+0.04	0.00
Beckman Reserve Assets ...	104	104	+1.00	2.67
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling ...	122.8	129.0	...	3.0
DL International ...	$1.51	1.61	...	1.9
Equity & Law International Fund Mgs Ltd				

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Citibank—Contd.						
Equity Funds						
Global Equity ...			16.718		...	-
Japan Equity Apr 2 ...			57.160		...	-
European Equity ...			15.193		...	-
US Em Hlth Apr 6 ...			$23.915		...	-
US Em Tech Apr 6 ...			$19.969		...	-
Chilcare Apr 6 ...			$36.695		...	-
Bond Funds						
Global Bond ...			16.208		...	-
GNMA Bond Apr 6 ...		$14.640	14.645		...	-
HYB (A) Apr 6 ...			$86.246.495		...	-
EBC Trust Company (Jersey) Ltd						
EBC Asset Traded Currency Fund Ltd*						
Income ...			$15.23	15.697	...	2.74
Capital ...			$23.69	24.411	-0.020	5.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd.Long Term* ...			$32.95	34.448	+0.144	4.91
* Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Apr 2 C$12.76						
First Aust Prime Inc Inv Co Ltd NAV Apr 2 US$10.69						
NAV Diluted to reflect exercise of all Wrts C$12.44 US$10.43						
Fidelity Investment (CI) Ltd						
Sterling American ...			£2.472	2.602	+0.023	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV ...			DM16.53		...	-
Foreign & Colonial Mngmt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash ...			$10.65		+0.01	-
Multicurrency Cash ...			$16.64		+0.02	-
Sterling Cash ...			£11.73		+0.01	-
US$ Bonds ...			$14.65		+0.01	-
Multicurrency Bonds ...			$19.43		+0.08	-
Sterling Bonds ...			£12.65		+0.01	-
D Mark Bonds ...			DM10.42		+0.04	-
Ecu Bonds ...			Ecu11.62		+0.03	-
UK Equities ...			£9.75		+0.09	-
US Equities ...			$15.99		+0.15	-
Japanese Equities ...			Y645		+0.01	-
Global Equities ...			$10.51		+0.06	-
John Govett Management (Jersey) Ltd						
[illegible] Apr 2 ...			$10.51		...	-
[illegible] Apr 3 ...			$8.21		...	-
Paragon Fd NAV Mar 31 ...			$10.29		...	-
Paragon Redemption ...			$9.99		...	-
Hungarian Inv Co Feb 28 ...			103.85		...	-

For Holborn Fund Mngrs see Prudential Fund Mngrs

INVESCO MIM International Limited

[illegible]

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen weakness continues

THE YEN continued to show signs of weakness during a quiet day in the UK currency markets, *writes Emma Tucker.*

The frailty of the Japanese currency was a reflection of growing concern about the domestic economy, analysts said, with the plunge in the Japanese equity market undermining the yen.

The dollar gained on the Japanese currency to Y133.23/33 in London from the previous day's close of Y132.65.

The short-term outlook for the dollar was still dominated by worries about the US recovery, proving to be slower than expected, and speculation over a consequent cut in US base rates and a possible rise in German interest rates.

By mid-afternoon in London the dollar was sitting at DM1.6255/65 after a DM1.6275/85 start. After trading firmly against the yen and the D-Mark in late Asian trading, it closed in Tokyo at DM1.6280/85. It finished in London at DM1.6250.

Dealers said they expected the dollar to remain in a narrow range until tomorrow's UK general election. US producer and consumer price data, released later this week, could also give the market a jolt.

The US currency finished New York trading last night at DM1.6210/20 and Y133.05/15, compared with Monday's close of DM1.6255 and Y133.17.

The pound perked up and regained some of the ground lost to the D-Mark recently. Many traders suspected the Bank of England had been buying through the UK clearing banks. Sterling ended in London at DM2.8425, up from a previous DM2.8375.

Mr Gerard Lyons, chief economist at DKB International in London, said: "It was very much a quiet day. The markets are going to stay in their current state until the end of the week. With all the opinion polls showing pretty much the same result, the key test now is election day itself."

While many traders are expecting a rise in interest rates to protect sterling if Labour were to win the general election, Mr Lyons said the real influence on base rates would be the attitude of international investors, likely to be influenced by what domestic investors do on Friday.

The growing support for far-right parties in Germany's state elections last Sunday contributed to the D-Mark's fall across the board.

"The D-Mark has been upset by political movements," said one dealer, although she added that there was enough political uncertainty elsewhere in Europe to prevent it falling too far.

Meanwhile, the French franc continued to benefit from the appointment of Mr Pierre Bérégovoy as prime minister last week. Mr Bérégovoy is due to make a policy statement to parliament today. Some dealers said it might be a signal for a further advance by the French currency.

£ IN NEW YORK

Apr 7	Close	Previous Close
£ Spot	1.7515-1.7525	1.7470-1.7480
1 month	0.97-0.95pm	0.92-0.90pm
3 months	2.83-2.80pm	2.84-2.81pm
12 months	10.07-9.97pm	10.03-9.93pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 7	Previous
8.30 am	90.0	89.9
9.00 am	90.0	89.9
10.00 am	90.1	89.9
11.00 am	90.2	89.9
Noon	90.1	90.0
1.00 pm	90.1	90.0
2.00 pm	90.2	90.0
3.00 pm	90.1	90.0
4.00 pm	90.1	90.0

CURRENCY MOVEMENTS

Apr 7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.1	-21.9
U S Dollar	64.6	-14.1
Canadian Dollar	100.9	-1.3
Austrian Schilling	110.5	+12.6
Belgian Franc	111.9	-1.4
Danish Krone	109.3	+3.4
D-Mark	119.2	+25.7
Swiss Franc	105.3	+13.5
Dutch Guilder	114.9	+16.7
French Franc	104.4	-11.9
Lira	98.8	-20.0
Yen	137.5	+71.8
Peseta	107.1	-18.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Apr.6

CURRENCY RATES

Apr 7	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.788104	0.717538
U S Dollar	3.50	1.37737	1.25189
Canadian $	7.56	1.63590	1.48962
Austrian Sch	7.50	15.7323	14.3654
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Kuwait	0.51535 - 0.51725	0.29450 - 0.29550
Luxembourg	58.45 - 58.55	33.40 - 33.50
Malaysia	4.4800 - 4.4915	2.5675 - 2.5725
Mexico	5272.60 - 5284.40	3058.00 - 3059.00
N.Zealand	3.2170 - 3.2200	1.8415 - 1.8435
Saudi Ar	6.4980 - 6.5750	3.7495 - 3.7505
Singapore	2.8800 - 2.8870	1.6520 - 1.6540
S.Af (Cm)	4.9945 - 5.0060	2.8590 - 2.8660
S.Af (Fn)	5.9730 - 6.0770	3.4190 - 3.4785
Taiwan	44.35 - 44.45	25.40 - 25.50
U.A.E.	6.3625 - 6.4395	3.6715 - 3.6735

*Floating rate. Iran Official rate £115 20 566.70

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.618	-3.00	6.15	51
Portuguese Escudo	178.735	174.764	-2.22	5.30	36
Belgian Franc	42.4032	41.9914	-0.97	3.97	38
Dutch Guilder	2.31643	2.29834	-0.78	3.77	29
D-Mark	2.05586	2.04120	-0.71	3.70	34
Irish Punt	0.767417	0.767794	0.05	2.91	-10
Italian Lira	1538.24	1540.64	0.16	2.80	-17
French Franc	6.89509	6.91167	0.24	2.71	-23
Danish Krone	7.84195	7.92007	1.00	1.95	-54
Sterling	0.696904	0.717538	2.96	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads, the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7425 - 1.7510	1.7485 - 1.7495	0.97-0.95cpm	6.59	2.82-2.79pm	6.42
Canada	2.0715 - 2.0815	2.0780 - 2.0790	0.70-0.66cpm	3.93	1.27-1.22pm	2.40
Netherlands	3.1925 - 3.2050	3.1950 - 3.2050	½-¼cpm	1.17	1-⅞pm	1.17
Belgium	58.30 - 58.60	58.45 - 58.55	6-4cpm	1.03	20-16pm	1.23
Denmark	11.0025 - 11.0450	11.0225 - 11.0325	⅝-¼orepm	0.41	1¼-⅞pm	0.45
Ireland	1.0680 - 1.0725	1.0680 - 1.0690	0.01-0.03cdis	-0.22	0.03-0.10dis	-0.24
Germany	2.8375 - 2.8450	2.8400 - 2.8450	¼-⅛pfpm	0.79	¾-⅝pm	0.97
Portugal	242.50 - 244.60	243.60 - 244.60	6-31cdis	-0.91	63-118dis	-1.48
Spain	180.30 - 180.75	180.30 - 180.60	17-31cdis	-1.60	68-83dis	-1.67
Italy	2139.75 - 2148.25	2143.00 - 2144.00	2-4liredis	-1.68	5-8dis	-1.21
Norway	11.1425 - 11.1875	11.1750 - 11.1850	½-¼orepm	0.20	1½-1pm	0.35
France	9.6025 - 9.6400	9.6200 - 9.6300	⅝-⅜cpm	0.62	2¼-1¾pm	0.81
Sweden	10.2925 - 10.3275	10.3100 - 10.3200	¼-¾oredis	-0.65	⅞-1⅜dis	-0.53
Japan	232.50 - 233.75	232.50 - 233.50	1¼-1⅛ypm	6.12	3½-3¼pm	5.90
Austria	19.94 - 20.03	20.00 - 20.03	2¼-1⅛gropm	1.01	8¼-6¼pm	1.45
Switzerland	2.6025 - 2.6175	2.6025 - 2.6125	¾-¼cpm	1.44	1¾-1¼pm	1.82
Ecu	1.3885 - 1.3930	1.3910 - 1.3920	0.09-0.03cpm	0.52	0.28-0.18pm	0.66

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.54-5.49pm. 12 Month 10.04-9.94pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7425 - 1.7510	1.7485 - 1.7495	0.97-0.95cpm	6.59	2.82-2.79pm	6.42
Ireland†	1.6295 - 1.6375	1.6360 - 1.6370	0.88-0.85cpm	6.34	2.58-2.51pm	6.22
Canada	1.1875 - 1.1900	1.1880 - 1.1890	0.26-0.28cdis	-2.73	0.84-0.87dis	-2.88
Netherlands	1.8285 - 1.8375	1.8285 - 1.8295	0.84-0.87cdis	-5.61	2.42-2.46dis	-5.34
Belgium	33.40 - 33.55	33.40 - 33.50	15.00-16.00cdis	-5.56	43.00-46.00dis	-5.32
Denmark	6.3000 - 6.3325	6.3025 - 6.3075	3.10-3.40oredis	-6.19	9.20-9.80dis	-6.03
Germany	1.6220 - 1.6310	1.6245 - 1.6255	0.78-0.79pfdis	-5.80	2.23-2.26dis	-5.53
Portugal	138.30 - 138.60	138.35 - 138.45	74-84cdis	-6.85	260-280dis	-7.80
Spain	103.15 - 103.60	103.20 - 103.30	74-77cdis	-8.77	211-218dis	-8.31
Italy	1225.00 - 1231.25	1225.25 - 1225.75	8.50-9.00liredis	-8.57	24.20-25.20dis	-8.06
Norway	6.3875 - 6.4075	6.3900 - 6.3950	3.10-3.50oredis	-6.19	9.55-10.05dis	-6.13
France	5.4975 - 5.5250	5.5000 - 5.5050	2.79-2.84cdis	-6.14	7.89-7.99dis	-5.77
Sweden	5.8900 - 5.9225	5.8950 - 5.9000	3.80-4.05oredis	-7.99	11.25-11.80dis	-7.82
Japan	132.90 - 133.75	133.20 - 133.30	0.06-0.07ydis	-0.59	0.15-0.17dis	-0.48
Austria	11.4425 - 11.4800	11.4525 - 11.4575	4.75-5.15grodis	-5.19	14.30-15.50dis	-5.20
Switzerland	1.4900 - 1.5000	1.4910 - 1.4920	0.59-0.61cdis	-4.83	1.71-1.75dis	-4.64
Ecu	1.2525 - 1.2580	1.2570 - 1.2580	0.65-0.62cpm	6.06	1.84-1.78pm	5.76

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼ - 8⅞	10⅛ - 10¼	10⅝ - 10½	10⅞ - 10¾	11⅛ - 11	11⅜ - 11¼
US Dollar	4⅛ - 4⅛	4⅛ - 4⅛	4¼ - 4⅛	4⅜ - 4¼	4½ - 4⅜	4⅞ - 4¾
Can. Dollar	6⅞ - 6⅝	6¾ - 6⅝	6⅞ - 6¾	7⅛ - 7	7⅜ - 7¼	7¾ - 7½
Dutch Guilder	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9½	9⅝ - 9½	9½ - 9⅜
Swiss Franc	8⅝ - 8⅜	8⅝ - 8½	8⅝ - 8½	8¾ - 8⅝	8⅝ - 8½	8½ - 8¼
D-Mark	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
French Franc	9⅞ - 9¾	9⅞ - 9¾	10 - 9⅞	10 - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞
Italian Lira	12 - 10	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 12	12⅛ - 12
Belgian Franc	9½ - 9¼	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½
Danish Krone	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10
Asian $Sing.	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	4 - 3⅞
Spanish Peseta	12⅞ - 11⅞	12⅞ - 11⅞	12½ - 12⅜	12½ - 12⅜	12½ - 12⅜	12½ - 12⅜

Long term Eurodollars: two years 5¼-5⅛ per cent; three years 6⅛-6 per cent; four years 6⅝-6½ per cent; five years 7⅛-7 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr.7	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.749	2.842	233.0	9.625	2.607	3.200	2143	2.078	58.50	1.391
$	0.572	1	1.625	133.2	5.503	1.491	1.830	1225	1.188	33.45	0.795
DM	0.352	0.615	1	81.98	3.387	0.917	1.126	754.0	0.731	20.58	0.489
YEN	4.292	7.506	12.20	1000.	41.31	11.19	13.73	9197	8.918	251.1	5.970
F Fr.	1.039	1.817	2.953	242.1	10.	2.709	3.325	2226	2.159	60.78	1.445
S Fr.	0.384	0.671	1.090	89.37	3.692	1	1.227	822.0	0.797	22.44	0.534
N Fl.	0.313	0.547	0.888	72.81	3.008	0.815	1	669.7	0.649	18.28	0.435
Lira	0.467	0.816	1.326	108.7	4.491	1.217	1.493	1000.	0.970	27.30	0.649
C$	0.481	0.842	1.368	112.1	4.632	1.255	1.540	1031	1	28.15	0.669
B Fr.	1.709	2.990	4.858	398.3	16.45	4.456	5.470	3663	3.552	100.	2.378
Ecu	0.719	1.257	2.043	167.5	6.919	1.874	2.301	1541	1.494	42.06	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7490	1.7394	1.7210	1.6939	1.6491

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
105	-	-	-	-	0.20	-
106	-	2.45	-	0.09	0.36	-
107	1.21	-	-	0.23	0.62	-
108	0.58	1.16	-	0.56	1.04	-
109	0.22	0.72	-	1.18	-	-
110	0.07	0.42	-	-	-	-
111	0.02	0.25	-	-	-	-
Open Int.	134,834	33,174	4,950	97,073	22,291	2,250

Estimated volume 22,157 Total Open Interest 294,572

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10.5	● Robert Fleming & Co.	10.5	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs.	11	Royal Bk of Scotland	10.5
Bank of India	10.5	Girobank	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unibank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Interbank rates ease

THIN TRADING, confined mainly to the under one-week range, characterised a dreary day in the UK money markets yesterday.

"The whole thing has just run out of steam," said one dealer. "The market is tucked up in bed, waiting for Friday morning."

Interbank rates continued to point to higher base rates after tomorrow's general election, but the pressure for a rise has eased considerably over the past two days.

The key three-month interbank rate softened to 10$\frac{15}{16}$-$\frac{13}{16}$ per cent from 11-10$\frac{15}{16}$ per cent. When a batch of opinion polls put Labour decisively ahead of the Conservatives last week, the three-month rate had shot upwards to a nervous 11$\frac{3}{16}$-$\frac{1}{16}$ per cent. At the longer end, the one year rate eased to 11⅛-11 per cent from 11$\frac{5}{16}$-$\frac{1}{16}$ per cent.

The steadier performance of the pound helped to create yesterday's calmer atmosphere. But although the market was less jittery, there was still considerable underlying nervousness about what would happen to sterling if the Labour party were to edge ahead of the Conservatives in the early hours of Friday morning.

The June sterling contract opened four basis points firmer at 88.92 and drifted around the 88.90 level in fairly thin trading. It finished at 88.90.

Meanwhile, the Bank of England provided the market with relatively cheap money.

The Bank initially forecast a shortfall of £400m, but raised that figure by £250m just prior to its first round of operations at midday. In the morning round it bought £460m band-2 bank bills at 10⅜ per cent.

The shortage was later trimmed to £600m. The overnight rate slipped to 8¼-8 per cent, but only another £54m of band-1 bank bills at 10⅜ per cent changed hands. No late help was required and the overnight rate closed at 8¾-½ per cent.

● The Federal Reserve refrained from money market operations yesterday. The lack of a draining operation, with Federal Funds softer than the 4 per cent target, was not an indication that the Fed was shifting to an easier policy stance, economists said.

Some had expected the open market desk to drain reserves from the banking system, possibly through a two-day matched sale-purchase transaction, in a bid to firm the key Fed Funds rate.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.7) 3 months US dollars		6 months US Dollars	
bid 4⅛	offer 4¼	bid 4¼	offer 4⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm		Treasury Bills and Bonds			
Prime rate	6½	One month	3.97	Three year	5.77
Broker loan rate	6	Two month	3.74	Five year	6.70
Fed.funds	3⅞	Three month	3.94	Seven year	7.07
Fed.funds at intervention	-	Six month	4.10	10-year	7.38
		One year	4.29	30-year	7.89
		Two year	5.28		

Apr.6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.65-9.80	9.65-9.80	9.65-9.80	9.65-9.80	9.75
Paris	9⅜-9⅝	9⅞-10	9⅞-10	9$\frac{15}{16}$-10$\frac{1}{16}$	9$\frac{15}{16}$-10$\frac{1}{16}$	9.60
Zurich	7⅞-8⅛	8⅝-8⅞	-	8⅝-8⅞	-	-
Amsterdam	8⅞-8⅞	9⅜-9½	-	9⅜-9½	-	-
Tokyo	4$\frac{9}{16}$-4⅜	4$\frac{11}{16}$-4$\frac{9}{16}$	-	4$\frac{11}{16}$-4$\frac{9}{16}$	-	-
Milan	12-12⅛	12⅛-12⅜	-	12⅛-12½	-	-
Brussels	9⅛-9⅜	9⅛-9$\frac{7}{16}$	-	9⅜-9$\frac{9}{16}$	-	-
Dublin	10½-10⅝	10⅝-10⅞	10⅝-10⅞	10⅝-10⅞	10$\frac{11}{16}$-10$\frac{15}{16}$	-

LONDON MONEY RATES

Apr 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10	9⅞	10⅜	11	11⅛	11⅛
Interbank Bid	7¾	9	10⅝	10¾	10⅞	11
Sterling CDs	-	-	10⅝	10$\frac{13}{16}$	11$\frac{1}{16}$	11¼
Local Authority Deps.	10	10¼	10⅝	11⅛	11¼	11⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8¼	9⅞	-	-	-	-
Company Deposits	-	-	11⅛	11⅛	11¼	11⅜
Finance House Deposits	-	-	11⅛	11¼	11⅜	11$\frac{9}{16}$
Treasury Bills (Buy)	-	-	10⅜	10⅝	10⅝	-
Bank Bills (Buy)	-	-	10⅜	10⅝	10⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.22	4.25	4.37	4.80
SDR Linked Dep. Offer	-	-	6⅛	6$\frac{11}{16}$	6⅝	7⅛
SDR Linked Dep. Bid	-	-	6½	6½	6½	6⅞
ECU Linked Dep. Offer	-	-	10	10⅜	10⅜	10¼
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10$\frac{3}{16}$	10⅛

Treasury Bills (sell); one-month 10⅛ per cent; three months 10½ per cent; six months 10½ per cent; Bank Bills (sell): one-month 10⅜ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 10.5407 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1992. Agreed rates for period Apr.26, 1992 to May 25, 1992, Scheme I: 11.77 p.c., Schemes II & III: 11.84 p.c. Reference rate for period Feb 29, 1992 to March 31, 1992, Scheme IV&V: 10.643 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from April 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

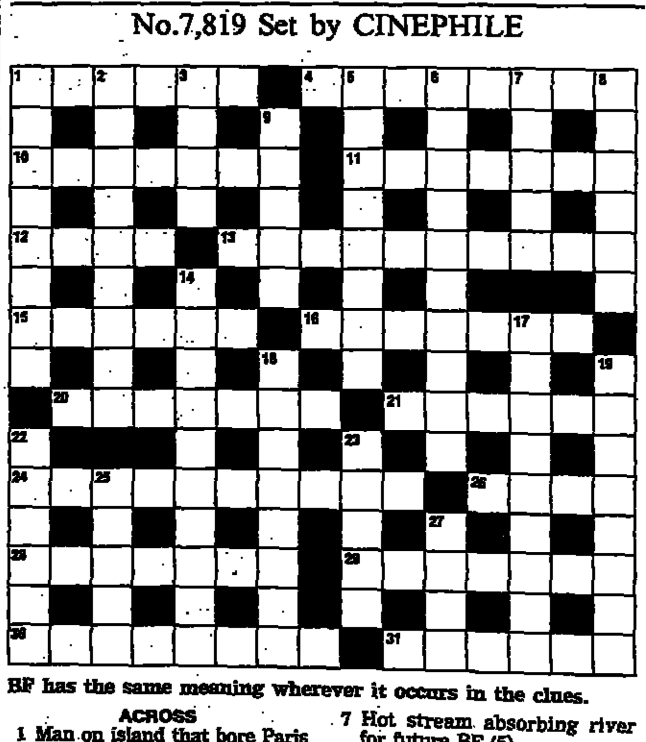
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,819 Set by CINEPHILE



BF has the same meaning wherever it occurs in the clues.

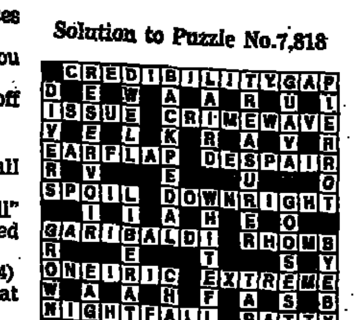
ACROSS

1 Man on island that bore Paris (6)
4 Artist for referee? (8)
10, 12 BF as she is made up? (7,4)
11 BF if red, RN if rear (7)
12 See 10
13 BF plant to cultivate in religious house (10)
15 Dredges river in its course? (6)
16 BF, small round object, taking bird to bird (7)
20 BF leading team to fish at pole (7)
21 Eclipse of the hole, as it were (6)
24 Musical with nudes and how they run for BF (10)
26 Buzzer used to be quiet (4)
28 BF dropping tail to have a drink (7)
29 Lend our help to write verses for our warplanes (7)
30 Squint – and dot T, do you hear? (5,3)
31 Dramatist takes bottom off fence (6)

DOWN

1 Footballer's among small houses that are no good (8)
2 Term for girl, including "doll" possibly, can't be worked from inside (5,4)
3 Some BFs will be ridiculed (4)
5 Sporting types attend at matches (8)
6 Not put into words in easy part, being easy itself? (10)
7 Hot stream absorbing river for future BF (5)
8 Races that are broadcast (6)
9 A note about worship (5)
14 They tread softly, being leaderless primates among native-born people (5,5)
17 Naval officer's BFs gets wrong end right (9)
18 Wild fellow to remove painfully? (8)
19 River has parking for BF in the shade of the sea, perhaps (4,4)
22 Sophy sick? Take some medicine (6)
23 Motor-rail transport? (5)
25 Compiler's taking a shot at complete BF (5)
27 Little creature with a future BF (4)

Solution to Puzzle No.7,818



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3213.55	3275.49	3249.11	3234.12	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	99.06	98.93	98.77	98.89	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1312.22	1363.33	1348.28	1366.59	1467.68 (20/2)	1312.22 (7/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	202.30	203.49	203.99	203.62	225.59 (3/1)	202.30 (7/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3291.59 (3295.84) Low 3207.51 (3238.37)

STANDARD AND POOR'S	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	398.06	405.59	401.55	400.50	420.77 (15/1)	398.06 (7/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	474.78	484.34	479.14	477.10	499.27 (15/1)	474.78 (7/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	32.88	33.60	33.09	33.33	35.14 (15/1)	32.88 (7/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	220.00	223.79	221.86	221.51	231.85 (15/1)	220.00 (7/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	385.38	391.57	389.22	390.48	418.99 (12/2)	385.38 (7/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	581.61	596.29	590.01	593.82	644.92 (12/2)	581.61 (7/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Apr 3	Mar 27	Mar 20	year ago (approx.)
Dow Industrial Div. Yield	2.85	2.86	2.80	3.38

	Apr 1	Mar 25	Mar 18	year ago (approx.)
S & P Industrial div. yield	2.64	2.62	2.61	2.88
S & P Indl. P/E ratio	28.56	28.78	28.91	17.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Waste Mangt	7,514,500	21½	....
Shawmut Nat	3,590,900	12¼	- ⅛
Gen Motors	3,540,400	37⅞	+ 1⅛
Adv Micro	3,300,100	17¼	- 1⅛
Am T & T	3,210,200	41⅞	+ ⅛
Telefonos	2,785,400	54⅞	- 1⅝
RJR Nabisco	2,299,600	9⅝	- ⅛
Glaxo	2,074,500	26⅞	- ⅞
IBM	1,925,600	82⅞	- ¾
Pep Boys	1,912,600	21⅛	- 1

TRADING ACTIVITY

† Volume Millions	Apr 7	Apr 6	Apr 3
New York SE	205.110	179.330	188.530
Amex	14,285	12.818	13.751
NASDAQ	(u)	153.122	193.926
NYSE			
Issues Traded	2,236	2,223	2,210
Rises	424	1,038	674
Falls	1,382	680	947
Unchanged	430	505	589
New Highs	18	28	12
New Lows	47	40	43

CANADA

TORONTO	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW
Metals & Minerals	2841.65	2875.32	2866.13	2862.69	3238.87 (16/1)	2841.65 (7/4)
Composite	3336.61	3385.95	3385.50	3395.90	3666.00 (16/1)	3336.61 (7/4)
MONTREAL Portfolio	1728.21	1760.00	1762.91	1768.15	1937.59 (16/1)	1728.21 (7/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1583.7	1576.7	1565.8	1561.2	1675.60 (15/1)	1561.20 (2/4)
All Mining (1/1/80)	695.6	692.8	687.9	684.7	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	415.18	412.85	419.38	417.65	685.20 (18/3)	372.24 (2/1)
Traded Index (2/1/91)	989.39	980.68	998.67	993.42	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1188.27	1184.65	1188.55	1193.02	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	330.49	330.08	329.21	330.11	365.29 (15/1)	328.94 (1/4)
FINLAND						
HEX General (28/12/90)	804.2	806.9	801.4	799.1	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	535.71	531.39	527.90	528.62	535.71 (7/4)	475.53 (2/1)
CAC 40 (31/12/87)	1975.38	1974.77	1942.73	1941.95	1993.88 (10/3)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	711.49	706.02	702.24	700.95	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	2007.4	1993.2	1982.4	1979.1	2036.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1739.42	1734.62	1719.63	1721.66	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4936.43	4896.90	4916.70	4924.27	5071.19 (13/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1375.80	1367.44	1346.61	1349.79	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	503.40	511.59	508.90	508.77	551.59 (6/2)	496.49 (30/3)
MIB General (2/1/92)	991.0	1008.0	1002.0	1002.0	1087.00 (6/2)	977.00 (30/3)
JAPAN						
Nikkei (16/5/49)	17791.55	18436.37	18559.71	18286.03	23801.18 (6/1)	17791.55 (7/4)
Tokyo SE (Topix) (4/1/68)	1279.57	1324.61	1320.65	1321.88	1763.43 (6/1)	1279.57 (7/4)
2nd Section (4/1/68)	1986.43	2000.81	1995.65	2021.51	2459.85 (6/1)	1986.43 (7/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	586.46	586.12	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tl.Rtn Gen (End 1983)	295.5	293.9	290.3	291.8	295.50 (7/4)	274.00 (8/1)
CBS All Shr (End 1983)	207.5	206.4	203.8	204.9	4379.00 (17/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	704.40	698.53	701.97	707.55	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1139.82	1131.43	1111.77	1102.95	1303.30 (17/1)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	377.33	(c)	378.32	380.47	416.99 (21/1)	377.33 (7/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1056.04	(c)	1089.0	1100.0	1327.00 (21/1)	1056.00 (7/4)
JSE Industrial (28/9/78)	4319.04	(c)	4389.0	4404.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	579.09	590.02	596.39	585.67	691.48 (8/2)	579.09 (7/4)
SPAIN						
Madrid SE (30/12/85)	248.92	248.87	250.55	251.93	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	986.5	988.2	980.5	993.4	1009.70 (20/3)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	816.9	814.7	811.6	814.4	818.00 (26/3)	748.50 (8/1)
SBC General (1/4/87)	644.7	642.3	639.9	642.5	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4613.74	4652.10	(c)	4733.96	5391.63 (30/1)	4613.74 (7/4)
THAILAND						
Bangok SET (30/4/75)	832.39	(c)	826.62	822.96	832.39 (7/4)	711.81 (3/1)
WORLD						
M.S. Capital Intl (1/1/70) (5)	477.9*	483.2	478.9	477.5	542.10 (7/1)	477.50 (2/4)
Euro Top-100 (26/6/90)	914.63	914.83	905.21	911.26	943.20 (3/3)	870.31 (2/1)

**Saturday April 4. Taiwan Weighted Price (c). Korea Comp Ex. 589.83.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 7 April 1992

	Stocks Traded	Closing Prices	Change on day
TEAC	5.6m	825	-66
NEC	2.8m	984	+9
Hitachi	2.5m	786	0
Nippon Steel	2.4m	300	-5
Sharp	2.3m	1,230	-20
Tokyo Style	2.2m	1,190	-40
Nippon Carbon	2.0m	658	-38
IBJ	2.0m	1,520	-120
Mitsubishi Heavy	1.8m	580	-14
Clarion	1.8m	723	-67

4:00 pm prices April 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.5	16	81	13⅞	13¼	13¾	
26	20½	ACM Gov Inc	0.18	0.8	107	188	23	22½	22½	-⅛
68¼	58	AMP Inc	1.52	2.6	23	931	59½	58	58¼	-½
80¼	68⅜	AMR			23	1054	71¼	d67⅛	67½	-4¼
2⅜	1⅛	ARX			2	111	2¼	2	2	-⅛
53½	43¼	ASA	2.75	6.2	12	229	44¾	44	44	-⅜
68⅛	56¾	Abbott Lab	1.20	2.0	23	5227	61¼	59⅞	60	-½
13⅞	12⅛	Abitibi Pr	0.43	3.4	13	8	12⅞	12¾	12¾	-¼
11⅝	10¼	ACM Gvt In	0.98	9.4		422	10⅝	d10¼	10¼	
10⅛	9⅛	ACM GvOpp	0.80	8.5		109	9⅝	9¼	9⅜	+⅛
9½	8½	ACM Gvt Sp	0.80	9.4		716	8¾	d8½	8½	-¼
11¼	10⅛	ACM Gvt Se	0.96	9.5		127	10¼	d10⅛	10⅛	-⅛
9⅜	8⅞	ACM Man	0.95	10.8		152	8⅞	8¾	8¾	
12⅞	10⅞	ACM Managd	1.08	9.9		171	11⅛	d10⅞	10⅞	
11¾	7	Acme Cleve	0.40	4.4	17	526	9½	8¾	9	-⅜
8¼	4½	Acme Elect			4	7	6⅛	5⅞	5⅞	-⅛
33¼	18⅞	Acuson			12	1615	20¼	19⅞	19⅞	-⅜
19½	18½	Adams Expr	0.48	2.6	0	60	18¾	18⅝	18⅝	
15½	13	Adobe 12PI	2.40	16.3		47	15¼	14¾	14¾	-½
5⅜	4½	Adobe Res			2	960	u5½	5¼	5¼	-⅛
49⅛	40½	Ad Micro	3.00	6.9		598	45½	43½	43½	-1
21½	16½	Ad Micro P	3.00	17.0	1	7303	19½	17⅝	17⅝	-1⅛
9⅛	5	Advest Grp	0.16	2.4	28	95	7	6⅞	6¾	-¼
71½	67½	Aegon ADR	1.50	2.2	6	2	69⅞	69⅝	69⅝	-⅛
47	39	Aetna Lf	2.76	6.4	9	1458	43¼	42⅞	42⅞	-⅜
12	8⅝	Affil A	0.24	2.4	71	521	10⅛	9¾	10	
32⅞	25⅜	Aflac	0.40	1.5	14	881	26⅞	26¼	26¼	-½
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/ Sls £ 100s	High	Low	Close Quote	Ch'ge Prev. Close
76⅛	60½	Sallie Mae	1.00	1.5	181477	66¼	65⅛	65¼	-⅛
14¼	13½	Salomon Br	1.61	11.9	478	13¾	d13½	13½	-⅛
32½	27¼	SalomonInc	0.64	2.3	73268	28	d27¼	27½	-1
46⅝	42⅜	SanDgo G&E	2.88	6.8	12 262	42¾	d42⅜	42½	-⅛
3⅜	2⅜	SantaFeEDs x	0.40	13.9	23 20	3	2⅞	2⅞	
9¼	7	SantaFeERs x	0.16	1.9	291694	9	8¼	8½	-⅛
38⅝	31⅝	SantaFePac	2.75	8.7	10 67	31¾	d31⅝	31¼	-⅛
14⅛	11⅛	SantaFeSth			216064	12	11½	11½	-⅜
57	49¼	Sara Lee	1.00	2.0	172148	50⅞	50	50⅛	-¾
9½	1¾	Savin			0 112	2⅞	2¾	2¾	
3⅛	⅞	Savin 0.60	0.60	84.8	60	1⅜	1¼	1¼	
44½	38⅝	Scana Corp	2.68	6.8	11 130	39¼	39	39¼	+⅛
47⅞	40¼	Scecorp x	2.72	6.8	122270	40⅞	40⅜	40⅞	+⅛
68	54⅜	ScheringPl	1.32	2.4	163982	56½	d54⅜	54¾	-1⅝
64¾	52¾	Sch'berger	1.20	2.1	166227	58½	56⅜	56⅜	-2
37⅜	28¾	Schwab(C)	0.24	0.8	291602	31⅛	d28¼	29⅜	-1½
9⅛	6¾	Schwitzer			37 25	8⅝	8⅜	8⅜	
19¾	15⅞	ScientAtln	0.16	1.0	108 247	16⅛	16	16	-⅜
9½	7⅛	Scotman x	0.10	1.2	12 69	8½	8¼	8⅜	+⅛
44½	34½	ScottPaper	0.80	2.0	252971	39⅞	39¼	39½	-⅛
15⅞	13⅝	ScuddrNAsF	0.18	1.2	165	14⅞	14⅜	14⅞	+⅜
9¼	8⅜	ScuddrNEuF	0.30	3.5	125	8¾	8½	8½	-⅛
24	17¼	Sea Cont	0.70	4.0	8 43	17½	d17¼	17⅜	-⅛
16⅝	14⅞	SeaCt1.4625	1.46	9.6	2	15⅜	15⅜	15¼	-⅛
123½	109⅛	Seagram Co	2.00	1.7	14 421	116⅛	114⅛	114⅞	-1⅝
28¼	21⅝	Seagull En			54 939	u25½	24¾	24¾	
18	12⅛	SPX Corp	0.40	2.5	11 111	16¼	16	16	-⅛
55⅞	44⅞	Sealed Air			28 522	50	49⅛	49⅜	-⅞
47⅞	37	Sears Roeb	2.00	4.5	136258	45¼	44⅜	44⅜	-⅞
40⅞	29¼	Sec Pac	1.52	4.4	53340	35⅛	34⅝	34⅞	-1⅜
12½	12	Seligm Sel	0.84	6.9	67	12⅛	d12	12⅛	
31¼	24⅝	Sensormat x	0.30	1.0	27 959	30⅛	28½	28½	-1⅛
51	39⅞	Sequa A	0.60	1.5	32 7	40¾	40⅜	40⅝	
58	45½	Sequa B	0.60	1.0	28 67	50¼	50	50	+⅝
27⅝	23½	ServiceCpI	0.56	2.1	181220	26⅞	26½	26⅝	-⅛
27⅛	22	Servicmr x	1.28	5.6	9 115	23⅜	23	23	-⅛
26⅞	17	Shaw Ind	0.15	0.6	651961	25⅝	25¼	25½	+⅛
15¾	8⅞	Shawmut Nt	1.00	7.6	83351	12⅞	12¾	12¾	-⅛
10¼	6⅝	Shelby Wll	0.24	2.5	27 6	9⅝	9½	9½	-⅛
56¾	45⅝	Shell Tr&T	3.36	7.0	121238	48	48	48	-1⅛
29⅞	25⅜	Sherwin Wl	0.44	1.6	18 929	27⅞	27⅜	27½	-⅛
27¼	21¾	Shoneys			231755	24	23⅜	23½	
14⅞	8¾	Showboat	0.10	0.8	24 171	13½	13	13	-½
24⅝	22	Sierra Pac	1.84	8.0	13 164	23¼	23⅛	23⅛	
24⅛	19½	SignalApp			3 59	21	20¼	20¼	-⅞
31¼	21⅞	Signet Bnk	0.80	2.6	311841	30⅝	29⅝	30⅛	+½
29¼	19⅛	SiliconGr			282367	19½	d18⅜	18¾	-⅞
12	10¼	Sizeler	1.00	9.2	20 79	11	10⅞	10⅞	
15⅛	11⅞	Sizzler x	0.16	1.3	17 126	12⅝	12½	12½	-⅛
18⅞	15½	Skyline	0.48	2.8	36 67	17½	17⅜	17⅜	+⅛
4½	3½	SL Inds	0.11	2.8	2 12	4	3⅞	3⅞	-⅛

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/ Sls £ 100s	High	Low	Close Quote	Ch'ge Prev. Close
27	25¼	Yankee Egy	1.60	6.0	12 10	26⅝	26½	26½	-⅛
1½	½	Zapata			28 102	1¼	1⅛	1⅛	
11⅜	7⅛	ZenithElec			4 530	9⅜	8⅞	8⅞	-⅛
17¼	14½	Zenith Nat	1.00	6.2	7 42	16½	16¼	16¼	-⅛
6¼	6	Zenix Inc	0.85	12.8	157	u6⅝	6⅝	6⅝	
13¾	11⅛	Zero Corp	0.40	3.2	19 170	12⅝	12⅜	12⅜	-⅛
38	34¼	Zurn Ind	0.88	2.6	15 867	34⅜	d33⅝	33⅞	-⅝
14⅛	12¾	Zweig Fund x	1.16	8.9	440	13⅛	13	13	-⅛
11	9⅞	Zweig Tot x	1.00	9.7	564	10½	10¼	10⅜	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices April 7

NASDAQ NATIONAL MARKET

4:00 pm prices April 7

AMERICA

Dow falls 62 points amid sell programs

Wall Street

US STOCK prices plunged across the board yesterday as nervousness about the decline in Tokyo markets coupled with Wall Street computerised sell programs wiped more than 50 points off the Dow Jones Industrial Average, *writes Patrick Harverson in New York.*

By the close the Dow was down 61.94 at 3,213.55. The more broadly based Standard & Poor's 500 finished 7.51 weaker at 398.08, while the Nasdaq composite index of over-the-counter stocks dropped 14.68 to 581.61.

Turnover on the New York SE amounted to 205m shares, while declines outnumbered gains by more than three-to-one.

In the absence of fresh economic news, and lacking a firm direction from the bond markets, the newfound confidence about the economic and earnings outlook that fuelled Monday's rise vanished yesterday. Some analysts said they detected the first signs of genuine unease among investors about the effect on US markets of the heavy losses in Japanese equities. The trigger for the sudden sell-off, however, was a big computerised sell program mid-afternoon, which single-handedly wiped 20 points off the Dow.

One observer said he believed the program involved a strategic shift of assets out of stocks and into other forms of investments. The program was swiftly followed by several others, and amid a lack of buyers, prices dropped sharply in the final 1½ hours.

One of the few big stocks to buck the trend was General Motors. The car giant's stock climbed $1½ to $38 in turnover of almost 3m shares.

Trading in the shares was delayed at the opening due to an order imbalance on the buy side as investors responded favourably to news of a "mini-coup" in GM's boardroom. Mr Robert Stempel, group chairman, was ousted from his position as head of the board's key policy-making executive committee, being replaced by an outside director.

Of the other two "big three" manufacturers, Ford receded $½ to $39½ and Chrysler slipped $¼ to $17⅞.

Airline stocks, already undermined by higher oil prices and fears of a fresh price-cutting war among big carriers, were hit particularly hard. UAL weakened $10¼ to $129½. Delta gave up $1¾ at $58⅞, AMR dropped $4¼ to $67½ and USAir shed $¾ to $16⅛.

Oil issues, which played a big part in Monday's advances, were weaker. Texaco lost $1⅝ to $59¾, Occidental $¾ to $18⅞, BP ADR's $2½ to $52¼, Chevron $2⅛ to $65¼ and Exxon $1⅛ to $56⅝.

On the Nasdaq market, Right Management plunged $9½ to $8 after the company estimated first-quarter earnings would be between 8 and 13 cents a share, down sharply from 36 cents in the same quarter a year ago.

Canada

TORONTO plunged nearly 50 points or 1.5 per cent, its sharpest drop for 1¼ years. Dealers said players have been backing away from the market for the past month.

Nervousness over rising inflation and fears the trend towards lower interest rates has come to an end helped to contribute to the sharp losses, some added. The market is waiting for the US producer and consumer price indices for March to be released tomorrow and Friday respectively.

The composite index dropped 49.3 to 3,336.6. Declines led advances by 388 to 195 on volume of 25.5m shares.

EUROPE

Oil shares stand out in European trade

OIL shares bucked a generally easier continental trend yesterday, *writes Our Markets Staff.*

FRANKFURT consolidated Monday's gains and the DAX index, which had risen 10 points in early trading, closed 4.8 higher at 1,739.42. The FAZ index, calculated at midsession, was 5.47 firmer at 711.49, while turnover fell to DM6.7bn from DM7.1bn.

The banking sector remained in focus as Commerzbank announced its 1991 results. The shares advanced DM3.3 to DM262.0 before announcing a 70 per cent rise in group operating profit for the first two months of this year. Deutsche Bank finished 50 pfg stronger at DM718 and Dresdner Bank advanced DM2.00 to DM353.50. BHF Bank, which releases its 1991 figures today, was DM2 higher at DM434. It said it would raise its dividend to DM13 from DM12.

Daimler rose to an intra day high of DM781 before closing DM6.50 ahead at DM775.50 on rumours that it was to issue a covered warrant. BMW and Volkswagen both lost ground after their recent strong gains. BMW shed DM2.70 to DM583.50 and Volkswagen declined 40 pfg to DM375.40.

FT-SE Eurotrack 100 - Apr 7

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1156.42	1158.81	1159.05	1157.57	1157.47	1157.54	1156.66	1156.82

Day's High 1159.45 Day's Low 1156.55

Apr 6	Apr 3	Apr 2	Apr 1	Mar 31
1155.59	1144.60	1149.08	1141.13	1149.80

Base value 1000 (26/10/90).

News that the cartel office was to investigate the relationship between Asko and Metro, a privately-owned Swiss group, shaved DM5 off Asko to DM883. There were reports that Metro had doubled its declared 10 per cent stake in Asko.

BASF advanced DM12.60 at DM258.00 in the absence of news.

MILAN ended lower across the board following the poor showing of the coalition government – especially the Christian Democrats – in the national elections. Dealers said domestic funds initially tried to hold up the market but soon gave up. The Comit index fell 8.19 or 1.6 per cent to 503.40 in turnover estimated at little more than Monday's L63.8bn.

Analysts said that while another early election was unlikely, the market would have little faith in a weak Christian Democrat-led alliance which would usher in a period of political and economic instability. However, they added that intrepid investors might consider buying Italian equities at current depressed levels, in the hope that the inconclusive election results would force Italy to reform its electoral process.

Fiat fell L53 to L4,770 and Generali lost L560 to L28,780. Telecoms fell as foreign investors took their profits, with Sip losing L34 to L1,441 and Stet down L63 to L2,148.

PARIS concentrated on individual stocks as the broad market was generally flat. The CAC 40 index ended just 0.61 higher at 1,975.38 in turnover of FFr2.2bn.

Alcatel Alsthom remained firm ahead of its 1991 results today, adding FFr4 to FFr623. A net profit figure above FFr5.9bn would be good news for the market.

Firmer crude prices lifted the oil sector. Total gained FFr9.20 to FFr248.70 and Elf added FFr4 to FFr365.60.

There was some activity in Euro Disney which fell FFr2.60 to FFr148.90. The theme park operator made a presentation to analysts and fund managers yesterday which included a tour of the park which is due to open on Saturday.

AMSTERDAM closed slightly down as Royal Dutch once more dominated trading. A stronger oil price and a buy note from a US broker lifted the shares which closed up Fl 2.10 at Fl 147.20. The CBS Tendency index fell 0.1 to 125.6 in turnover of Fl 621.7m.

The transport group Pakhoed, which reported disappointing 1991 profits and forecast that 1992 earnings would remain under pressure, fell to the day's low of Fl 42.50 before closing down Fl 1.60 at Fl 43.70.

Nedlloyd declined 50 cents to Fl 58.80 and denied reports that it was planning to cut jobs. Fokker denied a report that it was to make a statement tomorrow on progress in its talks with Deutsche Aerospace, although analysts expect an announcement in the near future. Its shares rose 10 cents to Fl 34.70.

ZURICH was unmoved by inflation figures which showed a rise of 0.3 per cent between February and March. The SMI index closed 7.5 higher at 1,850.5. Insurers remained active with registered shares in Swiss Re gaining SFr20 to SFr2,490 and in Zurich Insurance SFr10 to SFr4,050.

BRUSSELS opened the first day of the new account firmer with the Bel-20 index closing up 3.62 at 1,188.27 in turnover of BFr805m. Petrofina was led higher by the rise in the world oil price and advanced BFr100 to BFr10,500.

LISBON continued to rise on domestic and foreign interest following the escudo's entry into the ERM. Liquid blue chips such as banking and construction were in demand. The BTA index added 27.9 or 1.4 per cent to 2,080.4.

MADRID gained slightly although disappointing economic news depressed sentiment. The general index closed up 0.05 at 248.92 in turnover of some Pta14bn. Next week's inflation data is expected to show a month-on-month rise of between 0.4-0.6 per cent.

A dry season in prospect for Johannesburg stocks

A nervous mood pervades the JSE, reports **Philip Gawith**

The euphoria which accompanied the resounding referendum victory in South Africa three weeks ago has been replaced by a nervous mood on the Johannesburg Stock Exchange (JSE) as investors contemplate the fragility of overseas markets and a number of negative factors on the domestic front.

Although a negative outcome of the referendum would have been a catastrophe for the market, a positive outcome had been largely discounted. Analysts agree that its effect was neutral, since it merely confirmed that the country is addressing the complicated process of political negotiation, with all the attendant uncertainties.

Buoyed by the strongly rising Dow Jones Industrial Average, the JSE all-share index rose nearly 8 per cent in the first two weeks of January. However, with the gold price slumping to a near six-year low in March, the market lost a lot of its momentum. This was followed by a 2 per cent fall last week as the JSE tracked the movements of the weak Japanese and London markets.

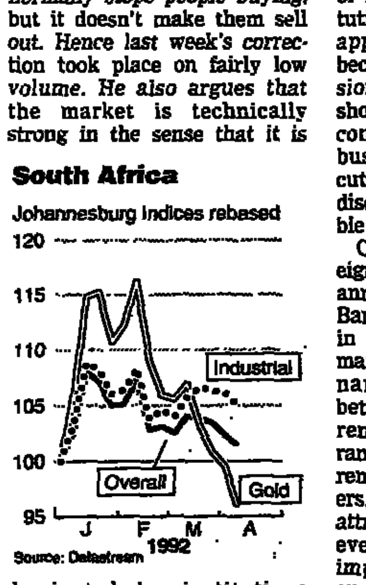
The overall index closed at 3,440 yesterday, (the market was closed on Monday for a public holiday), down 7.4 per cent from its 1992 high of 3,713 in mid-January.

Mr Roy McAlpine of Liberty Asset Management, the fund managers, comments: "Everybody agreed that for the last few months the market looked fairly frothy. In this situation, at any possible opportunity it is likely to have a correction." The weakness in the Nikkei average, he says, merely precipitated what was bound to happen eventually.

Mr McAlpine observes that a frothy market in South Africa normally stops people buying, but it doesn't make them sell out. Hence last week's correction took place on fairly low volume. He also argues that the market is technically strong in the sense that it is dominated by institutions which hold most of the prime stock, and which tend to take a long-term view.

South Africa

Johannesburg indices rebased



Source: Datastream

Two factors on the mining side have had a bearish influence on the market: a very weak gold bullion price and a recent fall in the share price of De Beers, which closed yesterday at R83.80, down from a year's high of R96.85.

De Beers dominates the JSE, making up nearly 10 per cent of the overall index. Last year turnover in De Beers accounted for 11 per cent of total turnover. The recent slide in its share price reflects poor prospects in 1992 which have led analysts to predict flat earnings for the year.

Two other recent events which failed to revive the JSE were the country's budget, and the announcement by the Reserve Bank (central bank) of a 1 per cent cut in interest rates. Mr Rob Lee of the Board of Executors investment institution, says investors were disappointed by the budget, because although it was expansionary, and hence good for short-term growth, it did not contain fiscal incentives for business or individuals. The cut in interest rates was widely discounted, so it had a negligible effect.

Of potential benefit for foreign investors was the recent announcement by the Reserve Bank that it plans to intervene in the volatile financial rand market. If the bank succeeds in narrowing the discount between the investment currency and the commercial rand, this would offer a currency appreciation for foreigners, thus making the JSE more attractive. It is too early, however, to properly assess the implications of the Bank's announcement.

One potential threat to market prices, which is being ignored for now, is the country's severe drought which economists estimate will knock at least 0.5 per cent off economic growth this year. Mr McAlpine notes that historically there has been little correlation between GDP growth and the performance of the JSE.

Analysts agree that shares are looking fully priced until there is evidence of an economic upturn, which is not expected until later in the year. Although there is unanimity that 1992 will not see the industrial index rise again by 40 per cent, as in 1991, there is also a widespread belief that the country's longer term prospects are good, and that the stock market will continue to reflect this.

ASIA PACIFIC

Nikkei drops below 18,000 to five-year low

Tokyo

THE NIKKEI average fell below the 18,000 level for the first time since November 1986 on arbitrage unwinding and heavy selling of banking shares by foreign investors, *writes Emiko Terazono in Tokyo.*

The final reading for the Nikkei was 644.82 or 3.5 per cent down at 17,791.55, after a high for the day of 18,449.82 and low of 17,775.39. Volume remained thin at 200m shares. Declines overwhelmed rises by 895 to 100, with 111 issues unchanged. The Topix index of all first section stocks dropped 45.04 or 3.4 per cent to 1,279.57, and in London the ISE/Nikkei 50 index shed 6.80 to 1,016.91.

Most dealers were surprised by the weakness in the Nikkei. Mr Masami Okuma at UBS Phillips & Drew said: "I am really shocked, especially since sentiment seemed to show signs of recovering on Monday." He added that many foreign investors, who had been looking for bargains, had refrained from activity due to the bearishness.

The sharp falls in the Nikkei futures on the Osaka market were triggered by a plunge in the Nikkei 225 futures on the Singapore International Monetary Exchange. Rumours that Japan's stock exchange officials were considering further restrictions to limit derivatives trading worried some market participants.

Foreigners were leading sellers of banking shares. The Nikkei 500 bank index has fallen 20 per cent during the past 10 trading days, against a 12 per cent decline in the Nikkei. Mr Alan Bell, deputy head of research at Baring Securities, said a further fall in the banking sector could pull the Nikkei average down by a further 1,000 to 2,000 points.

Prominent losers in the financial sector included Industrial Bank of Japan, down Y120 to Y1,520, Mitsubishi Bank, Y170 weaker at Y1,520, and Fuji Bank, which fell by its daily limit of Y200 to Y1,270.

Less liquid shares in the Nikkei 225 fell on arbitrage-related selling. Shinagawa Refractories lost Y58 to Y843 and Daito Woollen Spinning and Weaving declined Y50 to Y850.

Nippon Telegraph and Telephone finished Y14,000 down at Y600,000 on depressed sentiment. Investors were also discouraged by the company's plans to lower prices of long distance calls, which is expected to squeeze NTT's profits by as much as Y80bn.

Some industrial blue chips were firm on bargain hunting. NEC improved Y9 to Y984 and Fujitsu edged ahead Y2 to Y659. However, semiconductor-related stocks, which rose previously on hopes of a market recovery in the US, lost ground on short-term profit-taking. Teac, the most active issue of the day, relinquished Y56 to Y825.

In Osaka, the OSE average fell 474.65 to 19,410.20 in volume of 8.5m shares.

Roundup

TOKYO'S 3.5 per cent fall depressed most of the Pacific Rim, with Seoul finishing at its lowest level for 18 months. Kuala Lumpur remained closed.

HONG KONG had Monday's losses reversed on bargain hunting and the Hang Seng index gained 29.53 to 4,926.43 in turnover of HK$1.77bn, after HK$1.38bn.

HSBC Holdings, which has been driven lower recently on concern over its planned merger with Midland Bank, of the UK, and its exposure to Olympia & York, the troubled Canadian property group, recovered HK$1 to HK$39.25.

SEOUL was depressed by news that the central bank planned to tighten money supply later this month. The composite index fell 10.93 to 579.09 in turnover of Won287.84bn.

SINGAPORE was slightly easier, the Straits Times Industrial index ending 1.34 off at 1,385.73 in turnover of S$85.3m.

TAIWAN fell on late selling. The weighted index declined 38.36 to 4,613.74 in turnover of T$12.37bn, against T$11.8bn.

MANILA's composite index rose a further 8.39 to 1,139.82 in turnover of 135m pesos. Philippine Long Distance Telephone put on 15 pesos to 845 pesos following a good overnight gain in the US.

BANGKOK rose on expectations that the new prime minister would soon be appointed. The SET index added 5.77 at 832.39 in Bt5.6bn turnover.

BOMBAY's fall continued, with the BSE index ending 39.46 lower at 4,023.11.

AUSTRALIA closed off its intraday high as the market reacted to the fall in Tokyo. The All Ordinaries index, which had risen 16 points earlier, finished just 6.9 ahead at 1,583.7 in turnover of A$258.5m.

News Corp was 12 cents firmer at A$17.82, Coles Myer rose 14 cents to A$11.68 and BHP advanced 8 cents to A$13.52.

NEW ZEALAND was pulled lower by weakness in Telecom shares. The NZSE-40 index shed 10.47 to 1,390.83 in turnover of NZ$20m. Telecom declined 12 cents to NZ$2.02.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 7 1992								MONDAY APRIL 6 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	144.38	+0.3	122.39	121.61	121.98	125.90	+0.4	4.38	143.98	121.94	120.73	121.34	125.40	153.68	141.93	136.89
Austria (19)	170.31	+0.7	144.37	143.46	143.89	144.06	+1.0	2.01	169.13	143.25	141.82	142.54	142.63	186.70	164.69	206.60
Belgium (46)	140.19	+0.6	118.83	118.07	118.43	115.64	+0.7	5.25	139.37	118.04	116.85	117.45	114.79	145.19	136.59	141.59
Canada (115)	*126.53*	*−1.6*	*107.25*	*106.57*	*106.89*	*108.89*	*−1.6*	*3.37*	*128.52*	*106.85*	*107.76*	*108.30*	*110.61*	*142.12*	*126.53*	*138.01*
Denmark (35)	231.34	−0.3	196.10	194.86	195.44	198.38	−0.1	1.84	232.15	196.62	194.66	195.64	198.60	273.94	226.81	245.91
Finland (15)	75.65	−0.8	64.13	63.73	63.92	70.52	−0.8	2.07	76.29	64.62	63.97	64.30	71.11	89.80	73.64	123.46
France (107)	158.88	−0.2	134.68	133.81	134.21	137.13	+0.0	3.30	159.16	134.80	133.45	134.12	137.07	169.16	148.06	142.99
Germany (65)	121.50	+0.6	102.99	102.35	102.65	102.65	+0.9	2.24	120.76	102.27	101.27	101.77	101.77	122.84	114.67	112.93
Hong Kong (55)	*204.51*	*+0.5*	*173.36*	*172.26*	*172.79*	*203.18*	*+0.5*	*3.97*	*203.57*	*172.41*	*170.69*	*171.56*	*202.25*	*210.88*	*176.36*	*153.25*
Ireland (16)	157.04	+1.6	133.12	132.27	132.67	135.21	+1.7	3.79	154.56	130.91	129.60	130.28	133.00	173.71	151.76	168.05
Italy (77)	71.33	−1.9	60.47	60.08	60.26	65.29	−1.9	3.55	72.69	61.57	60.95	61.26	66.56	80.86	68.92	81.63
Japan (473)	94.32	−4.0	79.95	79.44	79.69	79.44	−3.6	1.07	98.26	83.24	82.41	82.84	82.41	140.95	94.32	142.66
Malaysia (68)	235.38	+0.2	199.53	198.25	198.85	232.98	+0.0	2.73	234.92	198.97	196.98	197.98	232.98	250.18	212.49	232.31
Mexico (18)	*1653.84*	*−1.9*	*1401.92*	*1393.02*	*1397.22*	*5530.45*	*−1.9*	*1.09*	*1685.09*	*1427.19*	*1412.95*	*1420.12*	*5634.95*	*1789.77*	*1376.91*	*813.27*
Netherland (25)	154.34	+0.4	130.83	130.00	130.39	128.84	+0.6	4.32	153.69	130.17	128.87	129.53	128.05	156.48	147.88	140.98
New Zealand (14)	42.57	−1.5	36.08	35.86	35.96	41.65	−1.0	6.59	43.22	36.61	36.24	36.43	42.05	48.52	42.57	46.49
Norway (23)	171.32	+0.6	145.23	144.31	144.74	148.65	+0.9	1.72	170.35	144.28	142.84	143.57	147.29	192.95	161.26	197.80
Singapore (38)	197.44	−0.6	167.37	166.30	166.80	150.40	−0.4	2.18	198.68	168.27	166.60	167.44	151.07	228.43	197.44	192.93
South Africa (61)	*228.54*	*−0.8*	*193.73*	*192.49*	*193.07*	*172.27*	*−1.3*	*2.92*	*230.33*	*195.08*	*193.13*	*194.11*	*174.51*	*263.60*	*203.16*	*202.18*
Spain (50)	148.94	−0.1	126.26	125.46	125.83	116.50	−0.1	5.17	149.03	126.22	124.97	125.59	116.57	160.47	148.73	162.05
Sweden (25)	*186.93*	*−0.5*	*158.46*	*157.45*	*157.93*	*163.20*	*−0.3*	*2.77*	*187.91*	*159.15*	*157.57*	*158.37*	*163.71*	*190.37*	*173.09*	*188.09*
Switzerland (60)	100.07	+0.2	84.83	84.29	84.55	92.53	+0.4	2.31	99.87	84.59	83.75	84.18	92.16	104.22	95.99	97.89
United Kingdom (228)	167.79	+0.1	142.23	141.31	141.74	142.23	+0.1	5.25	167.70	142.03	140.60	141.32	142.03	186.29	165.85	182.15
USA (523)	162.39	−1.8	137.65	136.78	137.20	162.39	−1.8	3.04	165.40	140.08	138.69	139.40	165.40	171.66	162.39	151.61
Europe (791)	142.39	+0.0	120.70	119.94	120.31	121.23	+0.2	4.03	142.34	120.55	119.35	119.96	121.01	150.58	139.31	145.08
Nordic (98)	173.41	−0.3	147.00	146.06	146.50	144.85	−0.1	2.23	173.99	147.36	145.89	146.63	144.99	188.52	170.96	184.29
Pacific Basin (717)	99.92	−3.4	84.70	84.17	84.42	84.65	−3.1	1.49	103.49	87.65	86.78	87.22	87.32	141.97	99.92	142.36
Euro−Pacific (1508)	117.11	−1.8	99.27	98.63	98.93	99.76	−1.5	2.72	119.24	100.99	99.97	100.48	101.30	145.21	117.11	143.83
North America (638)	160.12	−1.8	135.73	134.89	135.30	158.75	−1.8	3.05	163.07	138.12	136.75	137.45	161.67	169.69	160.12	150.68
Europe Ex. UK (563)	*126.14*	*+0.0*	*106.92*	*106.26*	*106.59*	*108.80*	*+0.2*	*3.21*	*126.10*	*106.80*	*105.75*	*106.29*	*108.38*	*129.79*	*121.81*	*122.73*
Pacific Ex. Japan (244)	155.18	+0.2	131.54	130.72	131.11	138.06	+0.3	3.94	154.87	131.17	129.88	130.53	137.71	158.33	149.00	137.94
World Ex. US (1702)	119.67	−1.8	101.45	100.81	101.11	102.15	−1.5	2.73	121.82	103.17	102.15	102.67	103.72	146.91	119.67	144.60
World Ex. UK (1997)	129.89	−2.0	110.10	109.41	109.75	118.52	−1.9	2.57	132.54	112.25	111.14	111.71	120.76	150.58	129.89	142.32
World Ex. So. Af. (2164)	132.56	−1.8	112.36	111.66	111.99	120.29	−1.6	2.86	134.98	114.32	113.19	113.76	122.31	153.05	132.56	145.52
World Ex. Japan (1752)	154.69	−1.0	131.30	130.46	130.86	144.51	−1.0	3.42	156.53	132.57	131.26	131.93	145.97	161.90	154.76	148.96
The World Index (2225)	133.18	−1.8	112.89	112.18	112.52	120.76	−1.6	2.85	135.60	114.85	113.70	114.28	122.78	153.70	133.18	145.86

Malaysian market closed April 7.